HEMINGTON
WEALTH MANAGEMENT

FALL UPDATES AT HEMINGTON

SEPTEMBER, 2018

2018 TAX LAW CHANGES

While taxes were on everyone's minds earlier this year when tax reform was making headlines, now is the time to focus on year-end planning in light of the Tax Cuts and Jobs Act. Beginning in 2018, significant tax changes were made that may impact the amount of income tax you will owe going forward. The following are highlights of the changes that have been implemented:

- The deduction for real estate taxes, state taxes, and local income taxes are capped at $10,000.
- Mortgage interest on new mortgages (taken after December 15, 2017) will be deductible up to $750,000, down from $1 million prior to tax change.
- The personal exemption deduction is no longer available.
- The standard deduction almost doubled; the exemption for married filing jointly is now $24,000 and for single filers is $12,000. If you are age 65 or older you are allowed an additional $1,300 deduction (or $1,600 for unmarried taxpayers).
- Many itemized deductions are no longer deductible such as investment management fees, tax preparation fees, moving expenses, casualty and theft losses, and unreimbursed employee expenses.
- Medical expenses are deductible if they exceed 7.5% of your AGI (down from 10% of AGI).
- The Alternative Minimum Tax (AMT) threshold has increased and therefore fewer taxpayers will owe AMT.
- The child tax credit has been expanded to $2,000 per qualifying child but is phased out for married taxpayers with AGI over $400,000.
- The maximum Federal tax bracket was lowered from 39.6% to 37%.

We are always looking for opportunities to reduce your annual income tax liability. Typically we find the best way to reduce income taxes is to maximize retirement plan contributions, maximize itemized deductions, and strategically manage the investment portfolio to limit taxable income earned on investment assets.

For some, it may make sense to have your accountant run tax projections to ensure your paycheck withholding is appropriate and you are not missing any tax planning opportunities. Please contact your Hemington advisor if you have specific questions about your situation.

4TH QUARTER PRIORITIES

Below are year-end planning items to consider:

- **Max Out Your 401(k)**: $18,500 in 2018 (+$6,000 if over age 50)
- **Required Minimum Distributions (RMD)**: we help clients over 70.5 years old process their IRA RMD well ahead of the year-end deadline to avoid hefty IRS penalties
- **Open Enrollment:** make sure you review your options to ensure you are optimizing employee benefits for next year, or choosing the right Medicare plans (see note below about our Medicare experts!)
- **Gifting Stock:** gifting appreciated stock (vs. cash) to charities can be a nice tax strategy; custodial deadlines are typically in early December
- **529 Funding:** contributions that are tax-deductible on your state income tax return must be made before year-end
- **Family Gifting:** the annual gift exclusion limit for 2018 is $15,000 per person

DID YOU KNOW?

Hemington has Medicare Open Enrollment experts on retainer to help clients make great decisions.

BACK TO SCHOOL!

MAKING WITHDRAWALS FROM 529 COLLEGE SAVINGS ACCOUNTS

Many parents were busy last month helping prepare their young adults for the big college drop-off. And while saying goodbye can be hard, paying the tuition bills can be even more challenging. We thought it might be helpful to share a few tips for taking tax-free withdrawals from your 529 college savings accounts. More information about 529 accounts can be found at www.savingforcollege.com, or contact your Hemington advisor.

Calculate your qualified expenses. Withdrawals are only tax-free when the funds are used to pay for college students' tuition, fees, books, supplies, room and board (if enrolled at least half-time), computers and internet access. Note that transportation and health insurance costs are excluded.

Remember the Calendar Year rules. 529 distributions should be taken during the same calendar year the qualified expenses were paid. Be careful to avoid paying the spring tuition bill in December.

Make the distribution payable to the school or beneficiary. Most 529 plans allow distributions to be paid to the account owner, the beneficiary or directly to the institution. Sending to the school or beneficiary will ensure that the 1099Q will have your child's social security number, and if any part of the withdrawal ends up being non-qualified, it will be taxed at their (presumably) lower tax bracket.

Decide which account to use. Distributions from an account owned by a grandparent or other relative will count as student income on the FAFSA form, so it is prudent to wait and withdraw funds from grandparent-owned 529 plans until January 1 of the student's sophomore year of college.

HAS YOUR COLLEGE STUDENT SIGNED A HEALTH CARE POWER OF ATTORNEY?

This is needed for you to have access to your child's care in the case of an accident or health scare.

Mike Byman's son, Peter, started his second year at Pitt.

Travis Johnson's son, Christopher, is a freshman at Virginia Tech.

WHAT'S NEW AT HEMINGTON?

Our team is growing to serve you better.

Hemington is delighted to welcome two of Virginia Tech's finest graduates, Paige Hanks and Ally Mastrota, as new Associate Advisors.

Paige Hanks

Ally Mastrota

PLEASE JOIN US!

Hemington will be hosting a 5-Year Anniversary Party

THURSDAY, OCTOBER 4TH

4:00pm to 7:00pm at Our Office
7651 Leesburg Pike, Falls Church, VA

About Hemington Wealth Management

Hemington Wealth Management provides high net worth individuals and families with a broad range of wealth management services including portfolio management. We are collaborative, accessible and responsive, making it easy for clients to work with our team.

Hemington Wealth Management

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