

**FINANCIAL SECURITY
PLANNING SERVICES, INC. SM**



Market Thoughts & Year-End Financial Planning Tips

December 2015



With the end of 2015 approaching, here is a short and timely video from Brad McMillan, chief investment officer at Commonwealth Financial Network®.

Market Thoughts for December 2015



We hope you enjoyed this month's video

Financial Planning Tips for Year-End

Don't wait, it's time to begin organizing your finances for the New Year. We've put together a list of financial planning tips that warrant consideration.

Flexible spending accounts

Money that you've put in your flexible spending accounts (FSAs) generally must be used by year-end or forfeited. The IRS, however, does allow participants to carry over up to \$500 of unused funds into the next year. Your employer plan must elect to participate in this option, so be sure to check to see if you can take advantage.

If your employer has not elected this option, schedule those doctor's appointments or stock up on items that are eligible for flexible spending. Doing this as soon as possible may relieve some last-minute headaches and ensure that you don't lose your hard-earned dollars.

Additionally, open enrollment begins around this time of year for certain employee benefit plans. If you're not using an FSA, take stock of your average expenses that would qualify and determine if setting one up for 2016 makes sense for you. If you already have an FSA, use whatever excess or deficit you have to calculate your allotment for next year.

Medicare enrollment

Open enrollment for Medicare started in October and ends December 7, 2015. For many, this is the only chance to change health and prescription drug coverage for 2016.

Recharacterization of Roth IRA rollovers or conversions

If you converted a traditional IRA to a Roth IRA during 2015 and paid tax on the conversion, mark your calendar now to allow plenty of time to recharacterize (i.e., undo) the conversion. The deadline is your tax-filing deadline plus any extensions.

Reporting losses on stock sales

Be aware of deadlines regarding trading date closings. A trade to sell a long position must be executed by the close of the last trading date of the current year. Similarly, a trade to sell a short position must be executed so that it settles by the last trading date of the current year.

Retirement planning

Review your retirement plan allocation and contribution elections. If you're not taking full advantage of matching features or potential tax benefits for maximizing your contributions, now is the time to evaluate your ability to do that. Also, when it comes to qualified savings, assessing your allocation to ensure that it's still in balance and pursuing your objectives will help you start the year off right.

Taking stock of savings

Did you set savings goals for the current year? Make a realistic assessment of them and think about goals for next year. If you determine that you are off track, let us help you develop and monitor a financial plan.

Taxes, taxes, taxes

RMDs and estimated taxes. If you're turning 70½, you must devise the best strategy for taking required minimum distributions from your traditional IRA and 401(k) plans. Be sure to take potentially large bonuses and a prosperous business year into account when considering your taxes for 2015. You may have to file estimated taxes or increase the upcoming January payment.

Managing marginal tax brackets

In 2013, the IRS added a 39.6-percent tax bracket, a 20-percent capital gain tax rate, and a 3.8-percent Medicare tax on net investment income. Moreover, those in higher marginal tax brackets may be subject to an additional 0.90-percent withholding tax, as well as limits on and phase-outs of itemized deductions and personal exemptions. If you are on the edge of a tax threshold, you may be able to defer or accelerate income or deductions to help minimize taxes.

- **The 39.6-percent marginal tax bracket** affects taxpayers with taxable incomes in excess of \$413,200 (individual), \$464,850 (married filing jointly), \$439,000 (head of household), and \$232,425 (married filing separately).
- **The 20-percent capital gain tax rate** applies to those in the 39.6-percent marginal tax bracket.
- **Itemized deductions and personal exemption phase-outs** affect those with adjusted gross incomes above \$258,250 (individual) and \$309,900 (married filing jointly).
- **The 3.8-percent surtax** is applied on the lesser of net investment income or the excess of modified adjusted gross income over \$200,000 (individual) and \$250,000 (married filing jointly).

Too little or too much withholding

Workers with gross earned income of more than \$200,000 may have had too little or too much tax withholding in 2015. Employers may have withheld an additional 0.90-percent tax on incomes over \$200,000 without regard to the taxpayer's withholding status, which would put these taxpayers at a higher threshold. Other taxpayers may have had too little withholding because of other income unknown to the employer due to second jobs. Employees should plan to take a credit on their returns or pay additional taxes.

Estate planning

To help ensure that your estate plan stays in tune with your goals and needs, you should be reviewing and updating it on an ongoing basis. If you haven't done so during 2015, take time to:

- Check trust funding
- Account for any life changes
- Update beneficiary designations
- Review trustee and agent appointments
- Review provisions of powers of attorney and health care directives
- Prepare for distribution of personal effects
- Get a firm understanding of all of your documents

Consider seeking professional guidance

The above list is not exhaustive. We are happy to go over deadlines that are

most relevant for you, so you can better prepare for the coming year.

We wish you a peaceful, healthy, and prosperous 2016!

My staff and I deeply appreciate the continuing opportunity to work with you. Please let me know if you have any questions or requests. Thank you.

Sincerely,

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