



## What the New Tax Law Means for Your Estate Plan

By Jim Lineweaver, CFP®, AIF®

When the Tax Cuts and Jobs Act of 2017 passed and was signed into law late last year, it was the most sweeping overhaul to the tax code in more than 30 years. While there are many estate planning strategies that have remained in place, this also opened the door to new opportunities, and so it may be wise to revisit your estate plan.

### Increased Limits on the Estate Tax

The Tax Cut and Jobs Act temporarily doubles the exemption amount for estate, gift and generation-skipping taxes from the \$5 million base, set in 2011, to a new \$10 million base, good for tax years 2018 through 2025. The exemption is indexed for inflation, so an individual can shelter \$11.2 million in assets from these taxes. Another federal estate law provision called portability lets couples who do proper planning double that exemption. So, a couple could exclude \$22.4 million for 2018. The law's sunset provision means that, absent further Congressional action, the exemption amount would revert to the \$5 million base, indexed.



Jim Lineweaver

### 529 Plans

Under previous regulations, 529 withdrawals were tax-free as long as the funds were spent toward qualified higher education expenses, which included tuition, room and board, and computer software and equipment at any eligible post-secondary institution.

With the new tax act, parents who send their children to private elementary and high school will have more options when it comes to saving for tuition. The new tax plan allows 529 plans to be used for up to \$10,000 per year in K-12 tuition expenses, giving more families an opportunity to save tax-free for private and religious schools.

There have been some changes at the state level in Ohio as well - not as a result of the tax cut and jobs act - but as a result of Ohio's biennial budget bill. Starting in 2018, contributions, including rollover contributions, to an Ohio 529 plan of up to \$4,000 per beneficiary per year (with any filing status) are deductible in computing Ohio taxable income, with an unlimited carryforward of excess contributions. This doubles the previous limits from \$2,000.

### Changes to Charitable Giving

The new law almost doubles the standard deduction amounts, starting in 2018. However, personal and dependent exemption deductions, which would have been \$4,150 each for 2018, are eliminated.

Starting next year, the new law limits your deduction for state and local income and property taxes to a combined total of \$10,000 (\$5,000 if you use married filing separate status).

These two changes will reduce the number of taxpayers eligible to itemize their deductions in 2018 and beyond, which could remove the tax advantage of charitable contributions.

If possible, you may want to consider 'bunching' donations from several years into one year. For example, you might consider giving twice as much to charities in one year, even if that means giving nothing the following year. This will help taxpayers

## INSIDE THIS ISSUE

What the New Tax Law Means for Your Estate Plan page 1

Letter from the President page 2

Top Financial Strategies of the Wealthy page 2

Economic Commentary page 3

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# LETTER FROM THE PRESIDENT

by Jim Lineweaver, CFP®, President and Founder



## Keep an Eye Out for our New (and easy to use!) Website

Many of our clients have been using our website for several years, and I know that many of you have come to count on it as a regular source of news, new and interesting resources, and a simple and secure way to access all of your accounts through our consolidated WealthTRAC<sup>SM</sup> Consolidated Reporting Platform.

In an effort to consistently offer our clients and friends an updated and refined experience to better serve your needs, we've been spending some time updating our website over the last several months, and the new website will go live in the coming months. The new website will be better aligned with our clientele base, feature easy access to our newsletters, blog, Golden Opportunities Shows and other media appearances, and all of the client accounts that you have now.

We have also taken this opportunity to narrow our focus, so that we can better serve you. You'll notice that the new site focuses on four segments, which all of our clients fit into: Retirees, Pre-retirees, Business Owners, and Executives. No matter which group you fit into, we've taken some time to put together some valuable resources, information, and whitepapers that we hope you'll take the time to look through.

*"One of the reasons that millionaires are economically successful is that they think differently."*

*- Thomas J. Stanley*

## TOP FINANCIAL STRATEGIES OF THE WEALTHY

"One of the reasons that millionaires are economically successful is that they think differently," according to Thomas J. Stanley, author of the well-known book *The Millionaire Next Door*. And, in our experience, it's true - wealthy individuals made their money. Their advantage in life is not rare financial privilege but rather basic values, discipline and a couple of key principles and strategies that we want to share with you today. In our work with our clients, we've put together a couple guidelines that we think everyone should consider.



### 1. Pay Yourself First

20% is a great starting point, but your goals may dictate more or less. Many people adhere to the 50/30/20 rule – 50% to necessities like the mortgage and utilities, 30% flexible spending, and 20% toward your financial goals.

### 2. Set Goals

Speaking of goals, this is another habit we find of the many millionaires that we work with. We find that often the most successful individuals create a list of goals, or a bucket list, and they revisit it often. They keep track of vacations or trips they want to take, major purchases, or things like a grandchild's education. Making decisions around these goals helps to keep them on track, helps them to always view all their financial decisions through the lens of their end goals – those things they most want or want to accomplish.

### 3. Discipline

Make it a habit. When you do these things, make sure you have the discipline to do them regularly, and to stick with your strategy. Michael Stanley says "Have you ever noticed those people you see jogging day after day? They are the ones who seem not to need to jog. But that's why they are fit. Those who are wealthy work at staying financially fit. But those who are not financially fit do little to change their status."

Always use your ultimate goals as a way to frame your decisions, and always ask yourself, "how does this fit into my financial goals?" Keep in mind that it's the discipline – using these strategies for years and years, that will allow you to accumulate wealth, and to have the retirement lifestyle you want. The good news is that it's never too late to start.

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accumulate enough deductions to itemize and write off more than the standard deduction.

If you're 70½ or older, you might also consider a qualified charitable distribution (QCD.) This doesn't relate specifically to the new tax law, but, after years of uncertainty, the qualified charitable distribution (QCD) was made permanent in late 2015. The QCD allows people aged 70½ and older to rollover up to \$100,000 from retirement accounts to the charity of their choice. Those same taxpayers also must withdraw a "required minimum distribution" from their retirement accounts, and the QCD fulfills that obligation. The money is subtracted from taxable income, which alleviates some tax burden. The QCD also has the added benefit of keeping some taxpayers' incomes low enough to possibly avoid paying Medicare premiums — the additional fees that higher-income consumers must pay for Medicare coverage.

## HEALTHWATCH

### Drink Water to Feel Less Bloating

When you feel bloated, drinking water sounds as if it would only make matters worse, but can often help, according to James Lee, MD, gastroenterologist with St. Joseph Hospital in Orange, California. Especially if you're on a high-fiber diet, for instance, your body will need more water to work more efficiently, says Dr. Lee. "Water mixes with water soluble fiber and makes it into a gel-like substance. This affects the motility of the gut and reduces the symptom of bloating." Drinking more water can relieve bloating caused by dehydration. When you're dehydrated, your body clings to the water your body does have, causing you to puff up.

So next time you're feeling a little bloated, reach for a drink! It may make you feel better.

Source: *Health.com*

## GOLDEN OPPORTUNITIES SHOW

Tune in to WKYC Channel 3 at 11:30am every other Sunday to see a member of our team on the Golden Opportunities show with Laurie Steiner, where we discuss current financial topics in an easy to understand format.

### Upcoming shows and topics:

#### Sunday, April 8th, 2018

*Your Retirement Income and the New Trump Tax Plan*



#### Sunday, April 22nd, 2018

*Creating a Steady Retirement Income – Without Annuities!*

#### Sunday, May 6th, 2018

*The Hidden Costs of Mutual Funds*

## ECONOMIC COMMENTARY

Global financial markets posted mixed results during the first quarter of 2018 amid a spike in volatility on concerns surrounding higher interest rates and rising inflation expectations. Meanwhile, the Trump Administration's tariff announcement on steel and aluminum led to heightened geopolitical tensions with several U.S. trading partners, sparking concerns of a trade war. We present a few highlights from 1Q18 below:

- U.S. equity markets sold off sharply in late January and early February, resulting in the first correction (10% drawdown) since early 2016. Stocks moved mostly higher for the remainder of the quarter in volatile and choppy trade, with large intra-day moves the norm. Despite the volatile environment, the S&P 500, the Dow Jones Industrial Average and the technology-heavy Nasdaq Composite managed to hover near their all-time highs. On the economic front, preliminary estimates indicate fourth quarter GDP slowed slightly more than initially thought due to slower inventory growth.
- Developed international equity markets produced mixed results during the first quarter on worries that a strengthening U.S. economy may lay the groundwork for a more aggressive Fed. Gains came out of the Pacific region, while Europe lagged. On the political front, the populist movement was back in focus as disenchanted Italian voters opted for anti-establishment parties in an election that yielded no outright winner. In the emerging markets, returns were propelled higher by solid performances from China, Russia and Brazil.
- Within fixed income, results were mixed as yields were volatile. The 10-year U.S. Treasury traded up more than 50 bps at one point during the quarter, sharply higher than the 2017 year-end close of 2.41%. Investment grade core U.S. fixed income ended lower, while high yield credit fared marginally better. Municipal bonds edged lower as investor sentiment shifted in the early part of February and the asset class experienced outflows. In the first few weeks of March, buyers returned. Meanwhile, emerging markets debt continued its impressive run after posting strong results in 2017 and unhedged foreign bonds benefited from weakness in the U.S. dollar.
- U.S. real estate declined significantly in the first quarter, while international real estate produced more muted results. Similar to the prior quarter, international real estate broadly outpaced U.S. real estate. Commodities ended the quarter with mixed results. Weakness among natural gas and several industrial metals components, including aluminum, weighed on first quarter results but were somewhat offset by strength in several agriculture components. MLPs came under heavy selling pressure amid FERC's tax policy revision.

An important lesson from 1Q18:

- The first quarter of 2018 was a good reminder that investors must remain mindful of geopolitical and other event risk and the associated volatility that comes with it. Until recently, investors have enjoyed the best of both worlds, with stocks and bonds rallying in tandem amid record low volatility. One can forget that volatility can return with a vengeance and calm can turn to turbulence in an instant. As a result, it is more important than ever to remain properly diversified. It is our continued belief that remaining patient and adhering to a well-constructed and diversified investment portfolio anchored to your time horizon and goals remains the prudent course of action.



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## TRIVIA

Bones found at Seymour Island indicate that 37 to 40 million years ago, penguins stood at an amazing 6 feet tall, and weighed as much as 250 pounds!

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"I reviewed your investments and set you up for early retirement. On your last day, you can afford to leave at 4:30 instead of 5:00."

## CLIENT SPOTLIGHT

*Bruce Motko*

Lineweaver client Bruce Motko is a great believer in travel – and traveling as reasonably as possible! When Bruce was last in, he shared some of these great travel tips, and we thought that many of our other clients would enjoy them as well.

"For the *very* frugal on airfare," Bruce says, try Spirit Airlines--known for its "bare bones" approach (you pay for everything) but savings can be substantial. If you're flexible and read *all* the "fine print" (ask someone who has flown Spirit) you can save money. He recommends you start by signing up (*free*) at Spirit.com to get weekly deals. You can join their \$9 Fare Club, which costs \$59.95 annually (and does, he notes, automatically renew if not canceled). While he concedes that there is a bit of up-front cost, he goes on to say that it pays for itself after *one* trip - plus gives the same discounts for everyone booked on your reservation.

At the same time, he recommends applying for the Spirit Mastercard (which has no fees for the first year, and annual fees of \$59/year thereafter), which you can cancel anytime. For signing up, you'll receive a BONUS 15,000 miles after your first purchase of anything, good for FREE travel (with fees) to many destinations, although he does advise that you read program rules for limitations and best travel dates.

Enjoy your travels, and Bruce reminds us, "Don't be afraid to say 'hi' to a fellow traveler - you never know where a conversation will go, and it may end up being the best story from your vacation!"



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