

the WealthWATCHSM



Tax Planning Before the Holidays

by LFG Tax Director, Mark Sipos



As the days get cooler and shorter, October is also a time when many people consider tax planning before the holidays and the end of the year. With 2018 being the first year under the sweeping changes made under the Tax Cut and Jobs Act of 2017, there were some lessons learned and some positive steps that you may be able to take for this tax year.

One thing that caught many people off-guard last year was the withholding tables under the new Trump Tax Law, and we found that people were generally under-withholding. So, while people may have been used to getting a certain amount back as a refund, they received less last year. However, this wasn't because taxes increased – overall, they decreased for most people, but because the IRS over-compensated for the new tax law it therefore may have felt as though you had a higher tax liability. This year, make sure you double check. To help with this, the IRS has developed an online tool called the “Tax Withholding Estimator” to help you withhold the right amount, and you can find it on the IRS website, IRS.gov.

It's also a good time to check and make sure you're fully funding retirement plans, Health Savings Accounts, and Flexible Spending Accounts, and to make sure you're maximizing your tax deferred accounts. For example, you may have started the year at a relatively low deferral amount for your HSA, but had additional medical expenses come up, or you may have some coming before the end of the year. There's still enough time left in the year to adjust your withholding accordingly to maximize your tax savings.

Another thing to keep in mind is the new, higher standard deduction under the new Trump Tax Law. Under this new law, there are much higher standard deductions in place: \$12,200 for single individuals, and \$24,400 for married filing jointly for tax year 2019. Since it may be harder to reach this limit now, you may want to consider bunching deductions into a single tax year in order to maximize the tax benefit. Deductions may include a gift to charity, medical expenses, or even pre-paying your state and local income taxes (SALT). But, remember when it comes to SALT taxes, the new tax law limits you to no more than \$10,000.

If you are considering a gift to your favorite charity, remember that Qualified Charitable Distributions (QCDs) can save you tax. This is essentially a mechanism that allows you to direct your Required Minimum Distributions, (RMDs) directly to a charity of your choice. QCDs have the benefit of simplifying the process for you and for the charity, and they also provide you with a significant tax benefit. Another option you may consider for charitable giving is making a gift of appreciated securities. This helps minimize your tax burden by allowing you to avoid capital gains taxes on those securities.

Finally, this is an ideal time of year to consider loss harvesting as well. With the volatility we've experienced in the last year, and will likely continue to experience through next year's election, it's important to periodically review your portfolio and sell those securities that have experienced a loss. This is a great way to offset taxes on both gains and income. Ideally, you'd replace that with a similar security, to maintain an optimal allocation and keep your risk level appropriate.

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LETTER FROM THE PRESIDENT

by Jim Lineweaver, CFP®, AIF® President and Founder

How to Introduce Your Kids and Grandkids to Investing

Many of you may have seen our special Financial Quarterback Episode (with special guest, my daughter Delaney) about helping your kids and grandkids get started investing. We look at investing as a great way to reinforce the ideas of goal setting, saving, and budgeting. And it can help your kids or grandkids on the long-term path to financial independence.

We always start our investing with a family meeting. The first thing we do is look at companies we like who make things we're familiar with and use. For example, we use Apple phones, watch Netflix at home, and my kids wear clothing from Lululemon and Nike.

I have three kids, so each of them was able to pick four stocks. Instead of fighting over the stocks, we decided to take a pooled approach to the money. I didn't want one child to substantially gain or lose more than the others,

so we decided to have them all share in the total gains. We get together several times a year, which keeps us focused on what we chose and how well it's doing. It also gives us the ability to talk about the stocks and see if there are any we want to sell to lock in any gains. I would also recommend opening an UGMA or UTMA account in the kids' name(s) to possibly get some more favorable tax treatment when you buy or sell securities.

Remind them not to panic if a stock goes down. Over time, they usually come back if they are good companies. It's also important that these portfolios are well diversified, as you don't want to have all your eggs in one basket.

The sooner your kids start investing, the greater the impact compounding will have, so it's important to understand the benefits of investing early.

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by Crain's Cleveland Business

This Fall, listen for The Financial QuarterbackSM Ads on WTAM with Josh Cribbs, former Special Teams Captain of the Cleveland Browns



¹Crain's Cleveland Business, based on assets under management, May, 2019



HEALTHWATCH

Shopping for health insurance is a daunting process that has gotten more confusing, as plans that do not meet the Affordable Care Act's benefit requirements for comprehensive insurance become more available. If you're shopping for full health insurance, your best bet is to be a smart and cautious shopper. Here are some tips:

1. Check the URL

The best way to know you're in the right place is to double (triple!) check the URL, which is the website address. The federal marketplace website is [healthcare.gov](https://www.healthcare.gov). Search engine ads often use [healthcare.gov](https://www.healthcare.gov) in the hyperlinked text that people click on to get to the website, but look closely at the URL just below to see the actual website address.

2. Check for a Disclosure

Insurance quote websites are required to note that they are not affiliated with the government, though this detail is often in small print at the bottom of the page. The privacy statement at the bottom will give more information about who owns the website.

3. Don't Give Out Your Phone Number

[Healthcare.gov](https://www.healthcare.gov) doesn't ask for your phone number on its homepage so that an agent can call you. If an agent calls to help you sign up for insurance, it is a private broker.

4. Research the Agent

Search by the agent's name on the Ohio Department of Justice's website (<https://gateway.insurance.ohio.gov>) to see if their license is up to date. Once you see the agent's name, click "View Profile" and navigate to the bottom of the page, where it says "Appointment Information" to see which insurance carriers he or she has relationships with. If none of them are major medical insurance companies, your agent won't be selling you comprehensive health insurance.

5. Think On It

Brokers selling insurance over the phone can be convincing and pushy — but you're not obligated to hand over your credit card number right away. Insist on having the contract agreement emailed or mailed to you, to review carefully, before signing.

Source: <https://www.inquirer.com/health/consumer/health-insurance-scam-tips-20190522.html>

ECONOMIC COMMENTARY

Autumn breezes: Change in seasons — and markets

The return of fall offers cooler temperatures—but a shifting market environment. Dovish central bank policies may extend the long economic expansion, but against a backdrop of rising geopolitical tensions and trade disputes contributing to slower growth. Investors are responding by seeking to boost portfolio resilience to withstand volatility. Our take on the major investor themes for the weeks ahead:

U.S. equities: Technology: The cyclical versus the secular

With the economy in the late stages of the business cycle, we continue to favor a moderately pro-risk posture in U.S. equities. Technology remains one of our preferred sectors, but it is important to recognize that some sectors are more tied to the business cycle (like semiconductors), while others may benefit from long-term tailwinds (like software).

Developed markets: Upgrading Europe

We are upgrading the region from underweight to neutral. The European Central Bank's fresh monetary stimulus could provide a tailwind for equities. We believe the negative sentiment toward the region may be overdone (while recognizing obvious risks) when comparing Europe's risk to emerging markets and its valuations to U.S. equities.

Emerging markets: Latin America in focus

We have downgraded emerging markets to neutral, but we see opportunities in Latin America. Valuations are attractive for many of the region's economies compared to other emerging markets, particularly with respect to earnings expectations. We are not sanguine about the risk of trade tensions but note that easing financial conditions and progress on political reform have already helped drive asset prices this year.

Fixed income: Navigating the fall in rates

The Federal Reserve's 180-degree pivot from rate hikes to rate cuts has had a significant impact on fixed income markets. Still, we believe this is an important time to strengthen the ballast in one's portfolio through quality fixed income investments, namely investment grade bonds and agency mortgage-backed securities.

Factors: Min vol goes viral

After a challenging start to the year, both minimum volatility and momentum stocks outperformed the broader market in the second quarter. This reinforces how investors are looking to build resilience in their portfolios, while not missing out on market rallies. Min vol valuations appear stretched at this point, while momentum valuations are supportive.



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EMPLOYEE SPOTLIGHT

Becky Roob



Becky is our new office Receptionist! She welcomes all of our clients and guests to the office. Telephone calls are received, directed and messages are relayed through Becky to the appropriate person. She also provides office support in order to ensure efficiency and effectiveness within the office.

Becky graduated from Cleveland State with a Bachelor's degree in Philosophy. Becky and her husband enjoy walking in the Cleveland Metroparks and kayaking the Ohio waterways with their dog.

TRIVIA

Until about 1500, autumn was just called "harvest." The full moon closest to the autumn equinox is known as a harvest moon. Before cities electrified, the bright night of the harvest moon was essential for farmers harvesting their late-year crops.

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