Amanda E. Lisachenko, CFP
Chief Operating Officer

The front-page article of our newsletter has a tendency to have an underlining theme of change. In this newsletter, we decided to have some articles about tax and as we are well aware there has been a lot of change. This change will have an impact to all Americans whether or not it's positive will depend on your situation. But here is an overview of things to be aware of in the changes.

1. No Personal Exemption

The changes in the tax plan completely eliminated the $4,050 that an individual could claim for themselves, their spouse and each dependent. This exemption could historically be phased out if your adjusted gross income hit a certain level. Eliminating the exemption was due in part to the increase in the standard deduction.

2. Increased Standard Deduction

The standard deduction was nearly doubled in 2018 which most taxpayers can use to lower their taxable income. This deduction will increase each year with inflation through 2025 tax year.

Standard Deduction Amounts		
Filing Status	**2017**	**2018**
Married Filing Jointly	$12,700	$24,000
Head of Household	$9,350	$18,000
Single or Married Filing Separately	$6,350	$12,000

When filing your taxes, you have a choice to either use the standard deductions or itemized deductions whichever is higher. Also important to note, is that there have been many changes regarding the qualified deductions you can take.

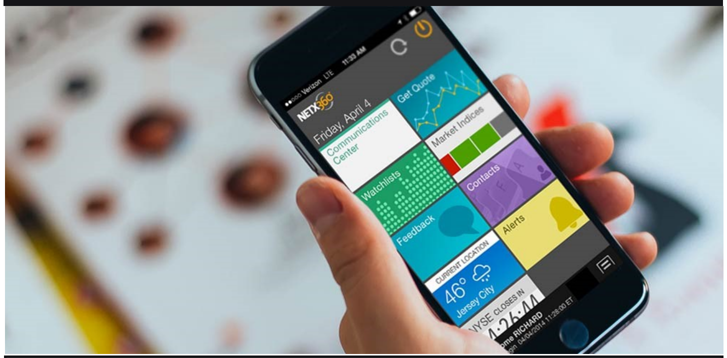
3. Increased Child Tax Credit

The child and dependent tax credit was a $1,000 tax credit that started phasing out if your AGI exceeded $75,000 ($110,000 for married filing jointly).

This tax credit was increased to $2,000 per child with $1,400 being refundable. Congress also widened the phaseout starting at $200,000 ($400,000 for married filing jointly) making this available to many more taxpayers. Additionally, your child must have a valid SSN issued before the due date of your 2018 return (including extensions) to be claimed as a qualifying child for the child tax credit or additional child tax credit.

-continued-

Mobile Apps Available



Anytime, Anywhere Access

Whether you are on the road, in the office or on a mobile device, you have the access to your accounts at your fingertips.

RFS Client Portal App

To download the RFS Client Portal app from Envestnet / Tamarac, go to https://www.reed-financial.com/online-access/ and click on the link to download the app. This app to our client portal allows you-

- Access your account information at any time of day in an easy-to-read format.
- Securely send and receive sensitive documents that shouldn't be sent by email to us in a Vault where you can save and access important documents.
- Receive RFS reports electronically.

Pershing NetXInvestor App

To download the NetXInvestor app, go to your app store and download the NetxInvestor™mobile app.

In this app you can-

- **Go Paperless:** Change your e-Delivery settings for Pershing and adjust what you are getting by mail. *(Note: this is a very common complaint. As a note, to enroll in Proxy/Shareholder Communications via e-Delivery, you need to enter and save a 4 digit pin to enroll.)*
- Stay up to date on balances and account holdings.
- You can even do **mobile check deposits** into your Pershing accounts! ($25,000 limit)

Please contact us if you need assistance in setting this up or ask us when you are in the office and we are happy to help you out! ■

2018 Tax Law Changes (continued)

4. Changes to Itemized Deductions

There are several things that have historically been put together to make up your itemized deduction.

- **Deductions of state and local income, sales and property taxes** are now limited to a combined total deduction of $10,000 ($5,000 if married filing separately). This change could have a significant impact for some taxpayers.
- **Mortgage interest** is now only deductible on the first $750,000 ($375,000 if married filing separately) of indebtedness (instead of the historical $1 million)
- **Interest on a home equity loan is no longer deductible**, and personal casualty or theft losses are no longer deductible unless the loss was incurred within a federally declared disaster area.
- Job-related expenses and other miscellaneous itemized deductions that were subject to the 2 percent of adjusted gross income floor are no longer available.

5. Updated Tax Brackets

Lastly, the new tax plan lowered tax rates across the board lowering the marginal tax rates. It also changed the income threshold at which these rates apply.

It is hard to tell how these tax changes will impact each individual case. This is because so many aspects of calculating your taxable income has changed. But we hope that it will be a positive result for your return. ■

Can't claim itemized deductions under the new tax law? Perhaps it is worth considering a Qualified Charitable Distribution if you are over 70.5.

Janet Edwards, Director of Client Services

The new tax law which went into effect for 2018 and eliminated lots of deductions and doubled and raised the standard deduction. More people will not be itemizing taxes and getting a charitable deduction, but they will be getting a larger standard deduction.

However, if you've reached age 70½, you can make cash donations to IRS-approved charities out of your IRA. These are known as qualified charitable distributions (QCDs) when taken directly from your IRA. In sending the charitable donation directly from your IRA, it excludes the income from the IRA and the amount counts towards your required minimum distribution and in turn lowers your income. So for many people, you are getting the standard deduction plus, in effect, a charitable deduction.

Unlike other charitable donations, you can't claim any itemized deductions for QCDs. However, that is not a problem, because the tax-free treatment of QCDs equates to a 100% deduction — because you'll never be taxed on those amounts, and you don't have to worry about any of the tax-law restrictions that apply to itemized charitable write-offs.

A QCD must meet all the following requirements:

- It must be distributed from an IRA, and it cannot occur before you, as the IRA owner or beneficiary, age 70½.
- It must meet the normal tax-law requirements for a 100% deductible charitable donation.
- It must be a distribution that would otherwise be taxable.

$100,000 Annual Limit

There is a $100,000 limit on total QCDs for any one year. If both you and your spouse both have IRAs set up in your respective names, each of you is entitled to a separate $100,000 annual QCD limit, for a combined total of $200,000.

Tax-Saving Advantages

QCDs have several potential tax-saving advantages.

- QCDs are not included in your adjusted gross income (AGI). This lowers the odds that you will be affected by various unfavorable AGI-based rules — such as those that can cause more of your Social Security benefits to be taxed, less of your rental property losses to be deductible, and more of your investment income to be hit with the 3.8% Medicare surtax. QCDs are also exempt from rule that says your itemized charitable write-offs cannot exceed 60% of your AGI.
- QCDs always deliver a tax benefit while "regular" charitable donations might not. With the almost doubled standard deduction amounts, you only get a tax benefit from a charitable donation if your total itemizable deductions exceed your standard deduction. So higher standard deductions make it that much harder to claim itemized charitable write-offs.
- A QCD from a traditional IRA counts as a distribution for purposes of the required minimum distribution rules. Therefore, you can arrange to donate all or part of your 2019 required minimum distribution amount that you would otherwise be forced to receive before year-end and pay taxes on.

How Can You Do This

There are a couple ways that you can do this. The important thing to note, is that funds must be payable directly from your IRA to the charity.

- You can give us a call and we will have you complete an IRA Distribution form in which you can authorize payment directly to a charity. You can also make the check payable to the charity and mail it to yourself to forward on or deliver.
- If you wish to send out numerous checks throughout the year, we can also set you up with a checkbook linked to your IRA so you can just write checks directly out of your IRA to the charity.

How Is This Reported

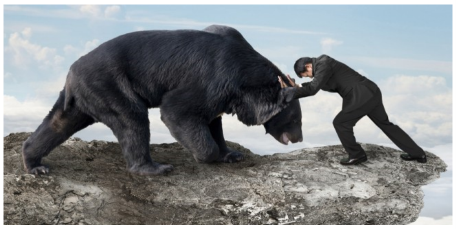
Your IRA administrator (ex: Pershing) will send you a 1099-R, noting your entire distribution total; you need to report it on your tax return-- and call out what portion was used as a qualified charitable distribution -- on your 1040 (*Note, Pershing does not track QCDs separately).* When you file your Form 1040, you report the total distribution on line 4a. Then report the amount given to charity on line 4b and enter "QCD" to indicate that it is a qualified charitable distribution, which is not taxable. Keep an acknowledgement from the charity showing that it received your contribution in your tax records.

Contact us today if you want to discuss QCDs further. ■

Pullbacks, Corrections, and Bears… Oh My!

Evan Watson, Investment Analyst

Financial news outlets and professionals tend to use industry jargon that sounds both confusing and technical. However, some of the main buzzwords are relatively simple and based off of minor changes. During the recent market volatility, there were three words that became more common place. Those were Pullbacks, Corrections, and Bear Markets. The first two seem to be almost interchangeable at first glance and the last insights visions of 2008. In actuality, these are bands to understand market movement.



Each one of these words aligns with a band of market selloff. Pullbacks represent a move of 5% to 9.9% from the most recent high point. Once the selloff moves into the 10% range, the market selloff becomes a correction. A correction covers the band of 10% to 19.9% from the highs. A Bear market begins when the selloff reaches 20% from the recent high.

All of these instances are a part of a healthy market and will continue to be something investors must endure. Some may ask how or why these types of events occur. The answer lies within how markets are priced. The price we see today, whether that is for an index, fund, or stock, is meant to represent the discounted future cash flows. Discounted cash flows are future dollars at today's prices. Cash flows are discounted because of the time and risk you are taking by investing.

Markets take in all of the information that is provided and create models to estimate a value. Once they have created these estimates, they then decide whether to buy or sell based on the current price and their value. What normally happens during the selloff is that the market begins to believe that values are too high compared to their models. This buying and selling continues to occur until markets move to a price that is believed to be fairly valued.

The degree of the selloff, whether it is a pullback, correction, or bear market, depends on the new information that became available and the degree to which the market believes it is overvalued. These tend to be trends that recover over time and eventually move higher. ■

RFS Employees Out and About

As part of our due diligence, members of our team attend conferences through out the year to meet with prospective managers, keep up on the latest trends, and continually educate ourselves. Evan Watson recently attended one such conference.

Each year, there is a conference that explores the ins and outs of Exchange Traded Funds or ETFs. This conference is called Inside ETFs. It is a four-day event that has content on economic trends, investment trends, portfolio construction ideas, and other information that is relevant to our industry. This gives our team an insight into how the industry is looking at some of the biggest topics in our industry and gain fresh perspectives.

This also allowed our teams to meet with some of the representatives from different ETF managers. This conference had some of the bigger teams like BlackRock's iShares and State Street but also introduced us to some newer managers who are coming up with new and innovative ETFs.

Evan's favorite portion of the event was listening to Nobel Prize winning Economist and Professor at Yale, Robert J. Schiller. He was a panelist with Jeffrey Sherman, a Deputy Chief Investment Officer at DoubleLine Capital, to discuss the markets, economy, and trends they see in the market. This conversation was both enlightening and entertaining as they moved through the issues our economy faces long term and what they are most concerned about. Surprisingly, the biggest concern is not financial but is Nuclear War.

We continue to explore the markets and use every resource available to understand more thoroughly what is occurring in our world. We hope to bring all of these insights to you and your portfolios. ■