

The ADVISOR

Winter 2017/2018 Newsletter

 **UNITED FINANCIAL CENTER**
INVESTMENTS* INSURANCE TAXES

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Where is the Stock Market Going?

It's an emotional thing

The market has been hitting all time highs. It has been nearly 9 years since March 9, 2009 when the market was at its last major bottom. The longest major bull run was 10 1/2 years. While the current market run may continue, analysts warn about a possible downturn. In fact, when billionaire investor Carl Icahn said the "markets are in a euphoric state" (CNBC Nov 30, 2017), it reminded us of the above Investor's Emotions Cycle. Euphoria is the last step before a downturn.

Because we don't know where the market will go from here we suggest investors be careful. Meet with your investment advisor and make sure your accounts are diversified. If you are in or nearing retirement consider tactical money managers who use a defensive strategy. If you have a question, contact us.

Review Your Old Policies

More life insurance for less money?

A client with a \$500,000 life insurance policy has been making monthly payments, we turned it into \$826,121 life insurance with the option, if needed, of \$826,121 long-term care insurance. It will be their choice depending on their need and they won't have to make another payment! Bring in your policy to review your options.

Material discussed is meant to provide general information and it is not to be construed as specific investment, tax or legal advice. Neither United Planners nor its financial professionals render legal or tax advice. Please consult with your accountant or tax advisor for specific guidance. Please seek such advice from your own tax and legal counsel.

Tax Reform Via Post Card

Not so fast!

News reports suggest that 9 out of 10 tax filers may soon be able to file their annual tax return via a simple post card. That may be true if you are a student, unemployed, or have a simple form.

Reviewing more than 600 tax returns, we determined the majority of our tax clients will still have to file the long form due to small business, rentals, investments, state tax laws, etc. So until we have a better idea of where the bouncing tax bill will land, plan on getting your tax return completed as you have in the past.

Maximizing Your Deductions

Year-end strategies to save you money

As tax time draws near, many are thinking of ways to reduce taxable income. Generally, this is accomplished by increasing your expenses for the year. For example, making a charitable contribution by check on December 31, 2017, will create a deduction on your 2017 tax return if you are able to itemize deductions.

Another strategy is to "bunch" your deductions. Miscellaneous itemized deductions and medical expenses are limited to a percentage of your adjusted gross income. Employees can also take advantage of the bunching strategy to exceed the 2% adjusted gross income limit on miscellaneous itemized deductions. This can be accomplished by extending subscriptions to professional journals, paying union or professional dues, and enrolling in and paying tuition for job-related education, all before the end of the year.

Substantiating Deductible Expenses

Don't forget to save those receipts

As a taxpayer, one of the most important things you should do is keep good records. Without them, the IRS may disallow some of the expenses you incur. Maintaining good records should be done throughout the year. Keep receipts, credit card statements, bank statements, and canceled checks. Group similar expenses together and

total them. Keep receipts for large purchases, such as equipment or capital improvements, separate because they are reported differently on your tax return.

Employer Identification Numbers

When do you need one?

There are several instances when you will need to apply for a federal employer identification number (EIN). The most common instance is when you are operating a business and you have employees. If you are operate a sole proprietorship and you have no employees, your social security number is all you need.

Business Related Auto Expenses

Which is better, standard mileage rate or actual expenses?

With the standard mileage at 53.5 cents per mile for 2017, it might be time to revisit what yields the more substantial deduction—the standard mileage rate for each business mile, or your actual car expenses.

Claiming the standard mileage rate is a lot easier. All you have to do is keep track of our business miles and multiply them by the current rate. In addition, deduct your costs for parking and tolls and, if you are self-employed, the interest on your car loan.

If you use actual expenses you also need to track the business miles. It's wise to make note of your odometer reading on January 1 and again on December 31.

Working with Your Spouse

Is your spouse your employee?

One of the advantages of operating your own business is hiring family members. There are a couple of ways a married couple can operate a business together.

If you are a sole proprietorship and you hire your spouse as an employee, you have an employee/ employer relationship. If such a relationship exists, then the non-owner spouse is an employee subject to income tax withholding, social security and Medicare tax, but not to FUTA tax. If this type of arrangement exists, you can provide benefits such as health insurance to your spouse and deduct them on your business return.

On the other hand, if your spouse has an equal say in the business affairs, provides substantially equal services to the business, and contributes capital to the business, then

a partnership relationship exists and the business's income should be reported on Form 1065. When spouses carry on a business together, they are partners in a partnership regardless of whether they have a formal partnership agreement. This generally does not increase the total tax on the return, but it does give each spouse credit for social security earnings on which retirement benefits are based.

Not All Income is Taxable

Have you received any of this income?

There are certain types of income that are not taxed and do not have to be reported on your tax return. These include child support, military allowances, veteran's benefits, welfare benefits, Social Security Supplemental Income benefits (SSI), and workers' compensation. Also, a cash rebate that you received for purchases, such as a new car or appliances, is not considered taxable income.

Preparing for Your Tax Appointment

Getting organized saves valuable time

Tax time seems to come too soon, and if you're like most people, you make a vow to be better prepared each year. Well, it's time to gather together all those tax records you've been saving. You can help your preparer by sorting through your papers and separating them between income and expenses.

Make sure you have all your W-2s if you held more than one job during the year. Employers are required to issue a W-2 to all employees by January 31. If you are self-employed, make sure you have received all your 1099-MISC forms from each person for whom you provided services and were paid \$600 or more. If your tax situation has not changed significantly from last year, you can use your 2016 income tax return as a guide for organizing your information.

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