Wealth Management
KANE COMPANY
A FEE-ONLY REGISTERED INVESTMENT ADVISOR
Certified Public Accountants and Financial Advisors

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Dimensional Funds are passionate about what they do, and in turn we are proud to utilize them as our preferred fund family. This passion is evident throughout their newly debuted website that is definitely worth a look. Please check out https://us.dimensional.com/ to see how Dimensional's results compare to the industry (*spoiler alert - 82% exceeding benchmarks!*) and how through close relationships with select advisors, such as myself, provide people a successful investment experience. Through our Wealth Management and Investment Advisory Services, we provide access to Dimensional Funds (DFA), along with other no-load mutual funds and exchange-traded funds. If you are interested in learning more about our investment services, please contact us for an appointment.

Wishing each and every one of you a joyous holiday season and prosperous new year!

Please note that our office will be closed December 26th and January 2nd.

Steve

December 2016

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Playing Catch-Up with Your 401(k) or IRA

A recent survey of baby boomers (ages 53 to 69) found that just 24% were confident they would have enough money to last throughout retirement. Forty-five percent had no retirement savings at all, and of those who did have savings, 42% had saved less than $100,000.[1]

Your own savings may be on more solid ground, but regardless of your current balance, it's smart to keep it growing. If you're 50 or older, you could benefit by making catch-up contributions to tax-advantaged retirement accounts. You might be surprised by how much your nest egg could grow late in your working career.

Contribution limits

The federal contribution limit in 2016 and 2017 for all IRAs combined is $5,500, plus a $1,000 catch-up contribution for those 50 and older, for a total of $6,500. An extra $1,000 might not seem like much, but it could make a big difference by the time you're ready to retire (see table). You have until the April 18, 2017, tax filing deadline to make IRA contributions for 2016. The sooner you contribute, the more time the funds will have to pursue potential growth.

The deferral limit in 2016 and 2017 for employer-sponsored retirement plans such as 401(k), 403(b), and most 457(b) plans is $18,000, plus a $6,000 catch-up contribution for workers 50 and older, for a total of $24,000. However, some employer-sponsored plans may have maximums that are lower than the federal contribution limit. Unlike the case with IRAs, contributions to employer-sponsored plans must be made by the end of the calendar year, so be sure to adjust your contributions early enough in the year to take full advantage of the catch-up opportunity.

The following table shows the amount that a 50-year-old might accrue by age 65 or 70, based on making maximum annual contributions (at current rates) to an IRA or a 401(k) plan:

Potential Savings a 50-Year-Old Could Accumulate		Without Catch-Up	With Catch-Up
IRA	By Age 65	$128,018	$151,294
	By Age 70	$202,321	$239,106
401(k)	By Age 65	$418,697	$558,623
	By Age 70	$662,141	$882,854

Example assumes a 6% average annual return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.

Special 403(b) and 457(b) plan rules

403(b) and 457(b) plans can (but aren't required to) provide their own special catch-up opportunities. The 403(b) special rule, available to participants with at least 15 years of service, may permit an additional $3,000 annual deferral for up to five years (certain additional limits apply). A participant can use this special rule and the age 50 catch-up rule in the same year. Therefore, a participant eligible for both could contribute up to $27,000 to his or her 403(b) plan account (the $18,000 regular deferral limit, plus the $3,000 special catch-up, plus the $6,000 age 50 catch-up).

The 457(b) plan special rule allows participants who have not deferred the maximum amount in prior years to contribute up to twice the normal deferral limit (that is, up to $36,000 in 2016 and 2017) in the three years prior to reaching the plan's normal retirement age. (However, these additional catch-up contributions can't exceed the total of the prior years' unused deferrals.) 457(b) participants who elect to use this special catch-up rule cannot also use the age 50 catch-up rule in the same year.

[1] "Boomer Expectations for Retirement 2016," Insured Retirement Institute.

Tax Credits and Deductions for College

Education tax credits and deductions can help defray some of the costs associated with college or graduate school. Do you or your child qualify for one of these federal tax benefits?

College students and their parents need all the help they can get to pay for college. Here are four college-related federal tax benefits that might help put a few more dollars back in your pocket when you file your 2016 tax return.

American Opportunity credit

The American Opportunity Tax Credit is worth up to $2,500 per year for a student's first four years of college. The credit applies only to qualified tuition and fees (room and board expenses aren't eligible) and is calculated as 100% of the first $2,000 of qualified tuition and fees plus 25% of the next $2,000 of such expenses.

There are two main eligibility restrictions. First, the student must be enrolled at least half-time. Second, a parent's modified adjusted gross income (MAGI) must be below a certain level. In 2016, a full tax credit is available to single filers with a MAGI of $80,000 or less and joint filers with a MAGI of $160,000 or less; a partial credit is available to single filers with a MAGI between $80,000 and $90,000 and joint filers with a MAGI between $160,000 and $180,000.

The American Opportunity credit can be claimed on behalf of multiple students on a single tax return in the same year, provided each student qualifies independently. For example, if Mom and Dad have triplets in college and each meets the credit's requirements, then Mom and Dad can claim a total credit of $7,500 ($2,500 x 3).

Lifetime Learning credit

The Lifetime Learning credit is another education tax credit that's worth up to $2,000 per year per tax return. As its name implies, the Lifetime Learning credit is for courses taken throughout one's lifetime, whether to acquire or improve job skills. As such, it is broader than the American Opportunity credit; for example, it's available to graduate students and to students enrolled less than half-time. The Lifetime Learning credit is calculated as 20% of the first $10,000 of qualified tuition and fees (again, room and board expenses aren't eligible).

There are also income restrictions. In 2016, a full credit is available to single filers with a MAGI of $55,000 or less and joint filers with a MAGI of $111,000 or less; a partial credit is available to single filers with a MAGI between $55,000 and $65,000 and joint filers with a MAGI between $111,000 and $131,000.

One disadvantage of the Lifetime Learning credit is that it's limited to a total of $2,000 per tax return per year, regardless of the number of students who qualify in a family in a given year. So, in the example above, Mom and Dad would be able to take a total Lifetime Learning credit of $2,000, not $6,000, in 2016. Also, the American Opportunity credit and the Lifetime Learning credit can't be taken in the same year for the same student — you have to pick one or the other.

Tuition and fees deduction

Undergraduate and graduate students (or their parents) may be able to deduct qualified tuition and fees paid in 2016. A $4,000 deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI of $130,000 or less, and a $2,000 deduction is available to single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000. An important note: you can't use the same education expenses to qualify for both a tuition deduction and an education tax credit.

Student loan interest deduction

The student loan interest deduction lets undergraduate and graduate borrowers deduct up to $2,500 of interest paid on qualified student loans during the year, provided income limits are met. In 2016, a full deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI up to $130,000; a partial deduction is available for single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000.

Comparison chart: 2016 figures

	Maximum Credit / Deduction	**Income Limits for Maximum**
American Opportunity credit	$2,500	$80,000 or less single; $160,000 or less joint filer
Lifetime Learning credit	$2,000	$55,000 or less single; $111,000 or less joint filer
Deduction for tuition and fees	$4,000	$65,000 or less single; $130,000 or less joint filer
Deduction for student loan interest	$2,500	$65,000 or less single; $130,000 or less joint filer

For more information, see IRS Publication 970, *Tax Benefits for Education.*

The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season

Many charitable organizations allow you to donate online, by text, or through social networking sites.

The following organizations and agencies publish reports and charity ratings, and/or give useful tips and information to consumers on how to donate and choose a charity:

- ***Better Business Bureau's BBB Wise Giving Alliance, bbb.org***
- ***Charity Navigator, charitynavigator.org***
- ***CharityWatch, charitywatch.org***
- ***Federal Trade Commission, ftc.gov***

The holidays are a popular time for charitable donations. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are six tips that can help you make smart and effective charitable donations.

1. Choose your charities wisely

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, as well as provide useful tips and information on how to donate and choose a charity (see sidebar). To get started, here are some things to consider:

- *How the charity plans to use your gift.* Contact the charity by phone or go online to find information about the charity's mission, accomplishments, financial status, and future growth.
- *How much the charity spends on administrative costs.* If a charity has higher-than-average administrative costs, it may be spending less on programs and services than it should. This could also be a sign that the charity is in serious financial trouble. In addition, if a charity uses for-profit telemarketers, then it may get very little of the money it raises, so ask how much of your donation the charity will actually receive.
- *The legitimacy of the charity.* Take the time to check out the charity before you donate. Ask for identification when approached by a solicitor, and never give out your Social Security number, credit-card number, bank account number, account password, or personal information over the phone or in response to an email you didn't initiate.
- *How much you can afford to give to the charity.* Stick to your giving goals and only give what you can afford. Legitimate fundraisers will not try to pressure you and will be happy to send information that can help you make an informed decision regarding your donation.

2. Maximize your donation through a matching gift

If your employer offers a program that matches charitable gifts made by employees, you can maximize your charitable donations. Some matching gift programs may have specific guidelines — for example, they may only match a gift up to a certain dollar limit, and the charity may need to provide additional information.

3. Make automatic donations

If you're looking for an easy way to donate regularly to a favorite charity, consider making automatic donations from a financial account. Automatic donations can benefit charities by potentially lowering fundraising costs and by establishing a foundation of regular donors. You'll also benefit, since spreading your donations throughout the year may enable you to give more and simplify your record keeping.

4. Look for alternatives to cash donations

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct gifts from your IRA, real estate, or personal property. Keep in mind that you'll want to check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances. Other alternatives to cash donations include volunteering your time and using your talents to improve the lives of others in your community.

5. Consider estate planning strategies when gifting

Another option is to utilize estate planning to make a charitable gift. For example, you might leave a bequest in your will; give life insurance; or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest. Check with your financial or tax professional regarding any potential estate or tax benefits or consequences before making this type of gift.

6. Remember the importance of record keeping

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity — however, you must provide proper documentation of your donation to the IRS. Keep copies of cancelled checks, bank statements, credit-card statements, or receipts showing the charity's name, date of your donation, and contribution amount. For donations or contributions of $250 or more, you'll need a detailed written acknowledgment from the charity. For more information and a list of specific record-keeping requirements, see IRS Publication 526, Charitable Contributions.

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What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

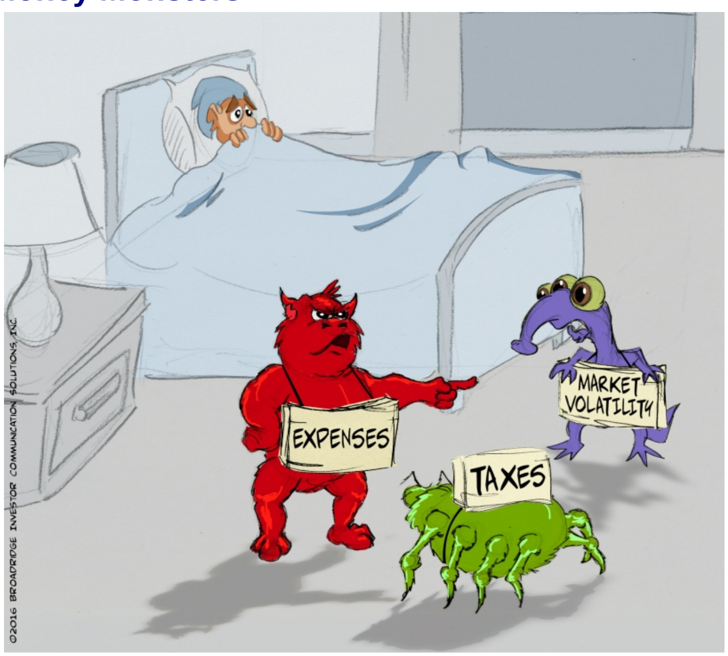
How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.

Cartoon: Money Monsters



YOU IN THE CLOSET... YOU UNDER THE BED..
I'LL HIDE BEHIND THE CURTAINS