

Get Tax-Smart

WEBINAR SERIES

The New Tax Code & Your HNW Clients

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- 2 **Tax Reform & Wealth Planning Strategies** | Archie Kantzavelos

- 3 **Giving & Donor Advised Funds** | Alex Neckles

- 4 **Q&A**

Why Was the Law Passed?

Get **Tax-Smart**



Attract Corporate Cash to US

Lower US corporate tax rates



Increase Corporate Spending

Tax breaks and business incentives



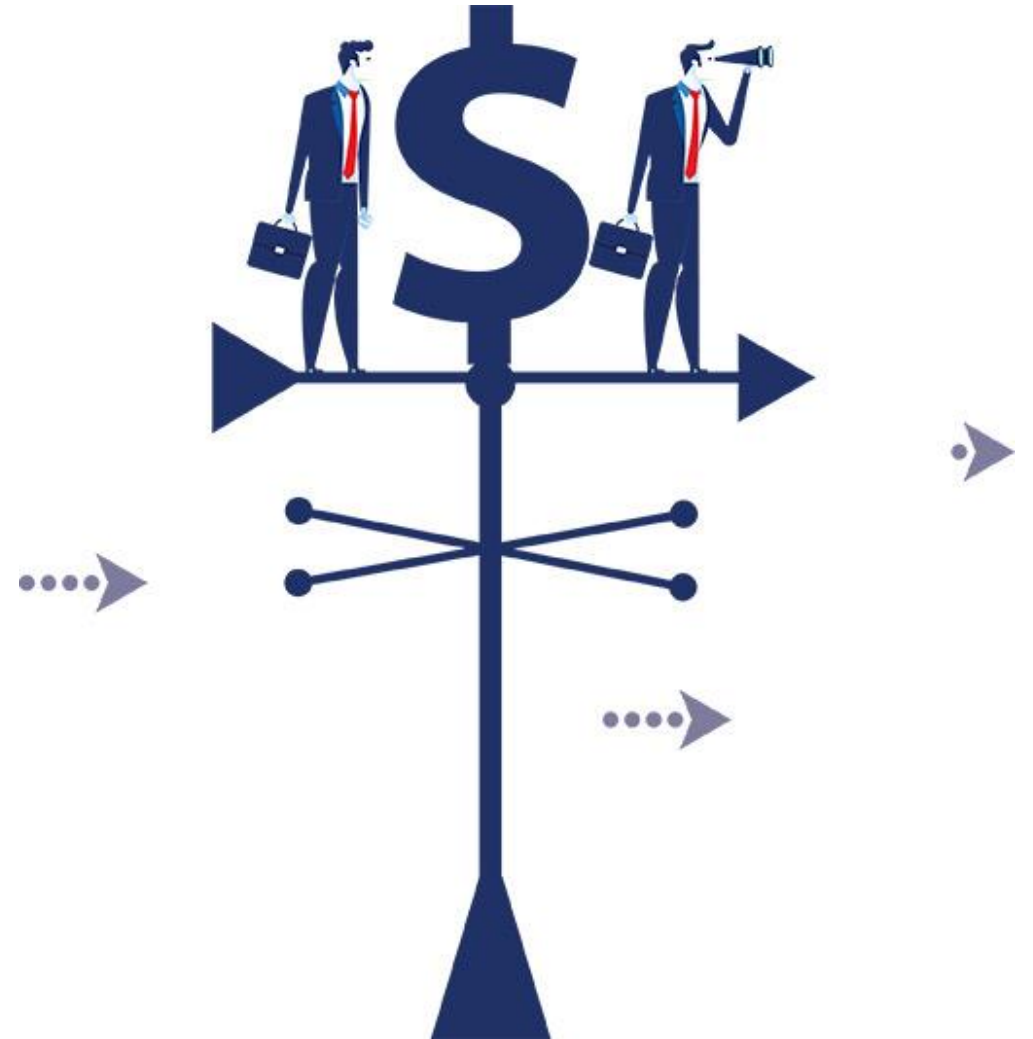
Boost Consumer Spending

Decrease personal income tax rates



**Spur
Economic
Growth**

- Key provisions run through 2026, unlikely to see short-term changes
- 2018 midterm elections are a big unknown
- Higher taxes likely in years ahead



- Tax Cuts & Jobs Act prompts greater need for financial planning and tax expertise
- Certain areas will take center stage for your HNW clients:
 - Tax planning & tax mitigation techniques, especially for those in high-tax states
 - Retirement planning
 - Charitable giving
 - Estate planning



Tax Reform & Wealth Planning Strategies

Archie Kantzavelos, CPA, CFP®
Wealth Planner
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Tax Cuts and Jobs Act Summary

Tax Provision (Individuals)	Details
Estate Tax	<ul style="list-style-type: none">• \$10M exemption (indexed for inflation, \$11.18M in 2018)• Retain step-up in basis
Tax Brackets	<ul style="list-style-type: none">• Rates from 10% to 37%
Capital Gain / Qualified Dividend Tax	<ul style="list-style-type: none">• No change to rates or brackets
Net Investment Income Tax	<ul style="list-style-type: none">• Retained (3.8% surtax)
Standard Deduction & Personal Exemption	<ul style="list-style-type: none">• \$24K Married Filing Jointly (MFJ) / \$12K Single. Exemption eliminated (combined w/ standard deduction)
Itemized Deductions	<ul style="list-style-type: none">• Mortgage Interest: \$750K limit• Charitable contributions allowed• Real estate tax plus state income tax deduction limited to \$10K• All 2% miscellaneous itemized deductions eliminated
Roth Re-characterization	<ul style="list-style-type: none">• Eliminated
529 Plans	<ul style="list-style-type: none">• Up to \$10K / year per student can be used for K-12 schooling

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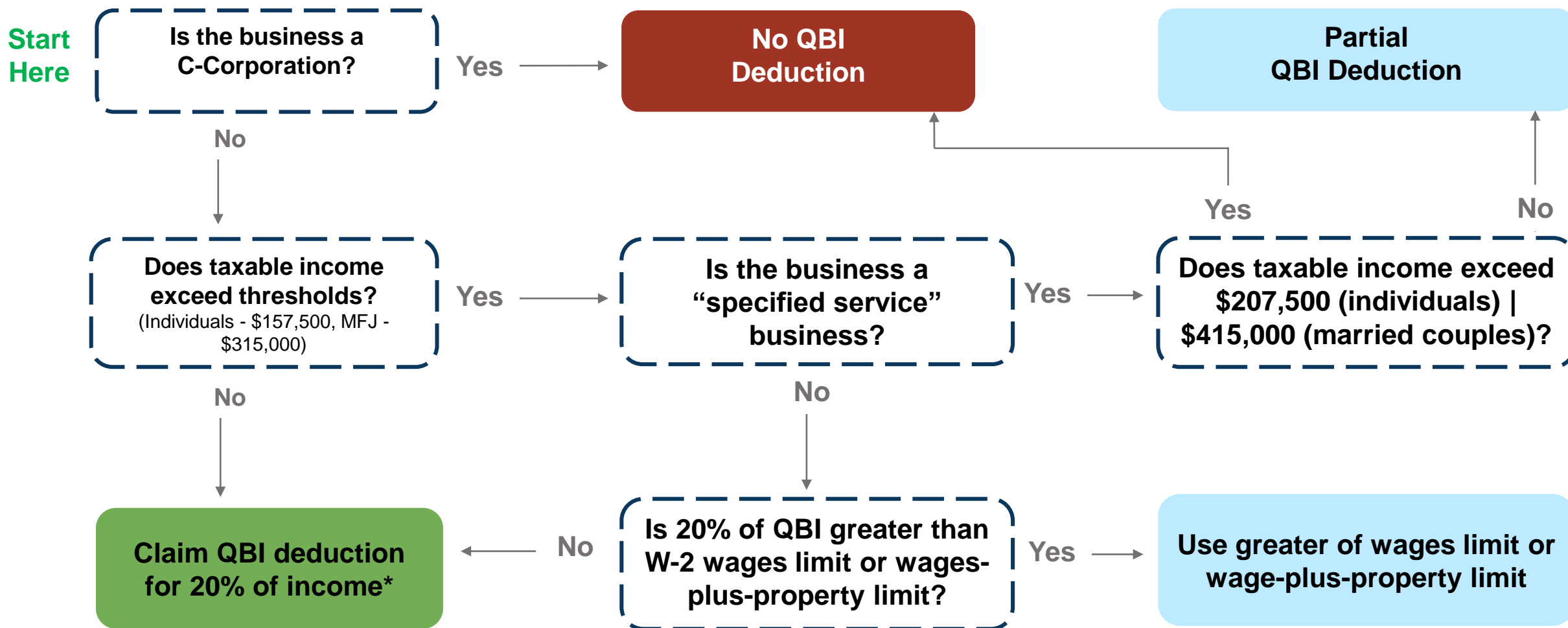
Entity Changes:

- Lower corporate tax rate
- Pass-through qualified business income (QBI) deduction
 - Set to expire at end of 2025
 - 20% QBI deduction results in 29.6% effective federal tax rate if in 37% bracket

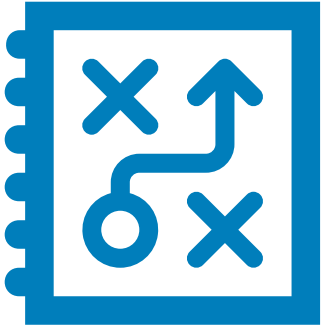


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QBI Deduction Decision Tree



*Limited to 20% of taxable income (not including capital gains). Source: Michael Kitces. www.kitces.com. This information has been prepared solely for informational purposes and is not intended to provide or should not be relied upon for accounting, legal, tax, or investment advice. William Blair recommends consulting your attorney, tax advisor, investment, or other professional advisor about your particular situation.



Strategies for:

- Charitable bunching
- Qualified charitable distributions
- Investment management fees
- Multiple trusts

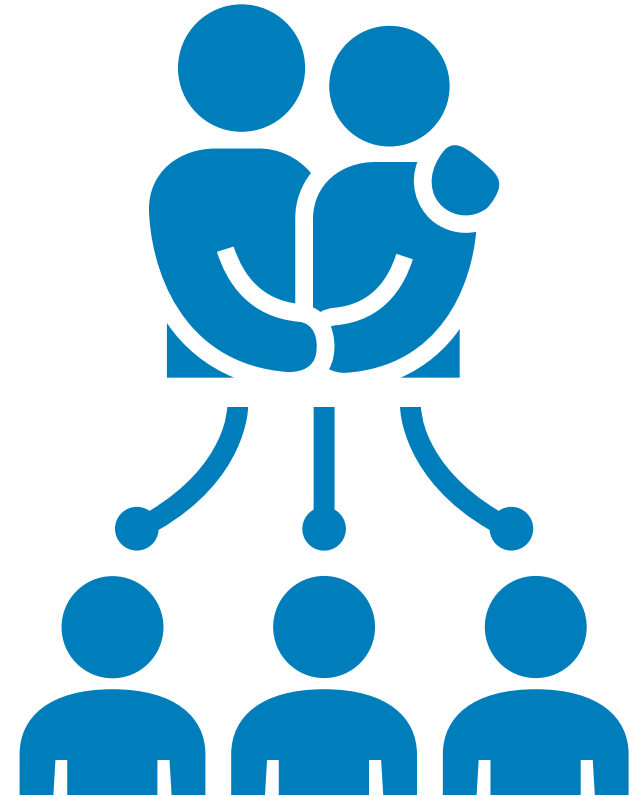
HYPOTHETICAL EXAMPLE

Assumptions	
Total Charitable Goal	\$150,000 over 8 years
Annual Charitable Goal	\$18,750
Tax Itemized Deduction	\$10,000
Standard Deduction	\$24,000
Federal Tax Rate:	37%

	Donor Advised Fund	Annual Contribution	Difference
Charitable Deduction in Excess of Standard Deduction	\$136,000	\$38,000 (\$4,750 / year)	\$98,000
Federal Income Tax	\$50,320	\$14,060	\$36,260

Ultra-high-net-worth clients

- Dynasty planning with increased exemption



High-net-worth clients

- Review existing documents - beware unintended consequences
- Utilize exemption
- Income Tax Basis Planning > Estate Planning



Giving & Donor Advised Funds

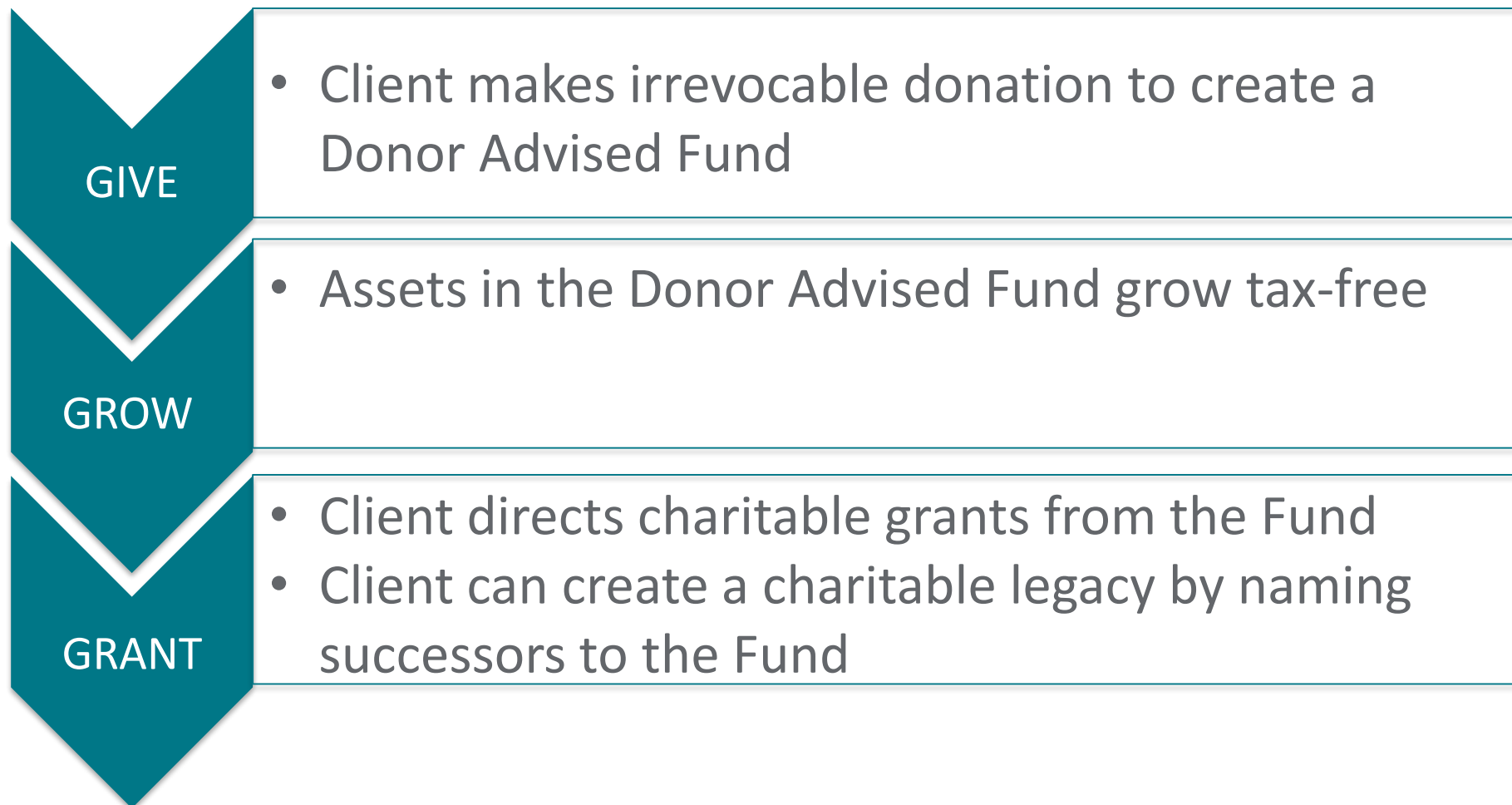
Alex Neckles
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ImpactAssets



About ImpactAssets

- *ImpactAssets* is a nonprofit financial services firm that increases the flow of capital into investments that deliver financial, social and environmental returns.
- Founded in 2010, spinoff from the Calvert Foundation
- \$450MM in AUM
- Promotes impact investing through:
 - *Products*: Donor Advised Fund (DAF)
 - *Field-building*: ImpactAssets 50 open source database of impact investment managers, and investor and financial advisor education tools

How a Donor Advised Fund Works



Tax Cuts: What is the Impact for DAFs & Charitable Giving?

STANDARD DEDUCTION

The 90% of households that are estimated to take the Standard Deduction will not receive an income tax deduction for charitable giving.

ITEMIZE DEDUCTIONS

The 10% of households that itemize deductions will be able to write off up to 60% of AGI (from 50%).

RESULT

For those families with incomes over \$200,000, most are likely to itemize and have no significant impact to their charitable giving.

Tax Planning Strategies

Donate
Appreciated
Assets

Cash isn't the most tax efficient donation.

Concentration
of Giving

A large contribution in a high income tax year is a great tool to maximize tax benefits.

Not Wed to
Standard or
Itemized

Clients are able to switch between standard or itemized deductions.

DAF Timing
Benefits

A DAF allows the client to maximize their tax benefits in a high income tax year. They can then decide how they would like to grant over time.

Donating Appreciated Stock

John and Mary Smith have \$100,000 in long-term appreciated stock with a cost basis of \$10,000

	DONOR SELLS STOCK AND DONATES CASH	DONOR CONTRIBUTES STOCK TO DAF
Value of Appreciated Stock	\$100,000	\$100,000
Capital Gains Tax*	\$21,420	\$0
Net Available to Charity	\$78,580	\$100,000

* Hypothetical assumes a 23.8% federal capital gains rate on the total taxable gain of \$90,000

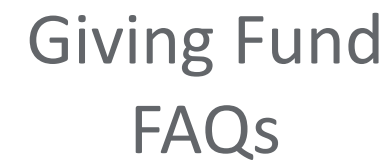
Key Triggers

Do Clients Have?

Concentrated positions, low cost basis, highly appreciated securities, windfall income events?

Recurring year-end requests for stock transfers to charities, writing checks to charities for > \$5,000 each year?

Cusp of itemizing? Use a DAF to concentrate charitable deductions.



Questions?



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1 hour CFP credit

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