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CPI CAPITAL PLANNING INSTITUTE Since 1969

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FINANCIAL OUTLOOK

FALL 2015

TAX PLANNING THROUGH YOUR LIFE

Tax planning is perhaps one of the most misunderstood aspects of financial planning. Most people only think seriously about taxes when they file their annual state and federal tax returns. While there are things you can do to reduce your taxes when filing, like making sure you are taking advantage of all possible tax credits and deductions, by that point, it is really too late to do any serious tax planning.

True tax planning involves making strategic decisions throughout the year that will help you minimize taxes both in the coming April and perhaps many years in the future. And, contrary to many people's assumptions, tax planning isn't something that's just for the ultrawealthy. If you earn money and file taxes, you can probably benefit from some level of tax planning. Today, we'll walk you through some key tax planning issues you may face throughout your life.

IN YOUR 20S

You're just getting started building your life and career, and there's a good chance your taxes are a bit more complicated than they were when you were a high school or college student. Consider sitting down with an accountant to make sure you understand where things stand with your finances and that you're doing all you can to reduce the taxes you owe. Specific tax planning steps you may want to take in your 20s include:

- Contribute money to a tax-deferred retirement account, like a 401(k) plan or IRA.
- Keep track of student loan payments, if you have them. If your income falls below certain limits, you may be able to deduct the interest you pay on that debt, even if you don't itemize.
- Save receipts and other records if you move for a new job, since expenses related to a move you make for work can be deducted even if you don't itemize.
- Check your withholding. If you're getting a big refund at tax time, you may need to tweak how much is being withheld from your paycheck, so that you're not giving an interest-free loan to

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A FINANCIAL PLAN IS A LIVING DOCUMENT

If you've ever completed a financial plan, you know how much work it is to prepare. So, after all that work, you're done, right?

Wrong. The world is constantly changing, the markets are constantly fluctuating, and so is your life. If your plan for the future is going to be of any real use, it has to reflect those changes, too. Instead of a static document, your financial plan needs to be like a dramatic series, a script that changes with times.

How often should you revise your plan? The easy answer is this: whenever there's a major change in your life circumstances — a birth or a death, a promotion or the loss of a job, or a wild gyration in the stock or real estate markets. The truth is, though, even without those major events, an annual review is a good idea. Let's take a closer look at what you'll need to pay periodic attention to:

FAMILY CHANGES. These include the births or adoption of children, marriage or divorce, and changes in your health or that of your partner or

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Tax Planning

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the government.

Finally, make sure you're keeping all your key financial documents organized. Find a secure place to store everything, and get essential documents from your parents if they still have them, like your Social Security card, birth certificate, and information about any accounts they may have opened for you when you were a minor.

In Your 30s

Your finances are probably getting more complicated as you increase your savings and complete major financial goals like buying a house. These tips will help you keep things on track:

❍ Keep saving for retirement in tax-deferred accounts, but also look into accounts that will generate tax-free income in retirement, like a Roth IRA or Roth 401(k) plan. Yes, you'll pay more in taxes now, but you'll be happy to have a tax-free option for income once you stop working.

❍ Getting married or having children? Set up a meeting with a tax advisor or financial advisor (or both together) to make sure you're making tax-smart financial decisions, like itemizing or not itemizing your return. An advisor can also talk to you about setting up a 529 plan to help pay for your children's future college educations.

❍ The government has plenty of credits and deductions for people with children, like the child tax credit, the child and dependent care credit, and the adoption credit. Know what you do — and don't — qualify for.

❍ Take advantage of flexible spending plans and reimbursement accounts. Between you, your spouse, and your children, you may be spending a lot of money on co-pays, prescription drugs, dental appointments, and more. Save a bit of cash by using money in a tax-free flexible spending account for these costs.

In Your 40s

You're hitting your financial stride. Don't let any bumps in the road derail your financial plans:

❍ Incomes tend to hit their peak when people hit their 40s. That's good news, but it also means you may find yourself in a higher tax bracket. If that happens, look for ways to reduce your taxable income, like maximizing deductible retirement contributions.

❍ You may be making more money than in past years, which could mean that you're ready to upgrade your charitable giving. Make sure you're keeping track of any gifts you make to eligible charities, whether they are in cash, stock, or in-kind gifts, since you'll need that documentation if you plan to deduct them on your tax return.

❍ If your children are headed off to college, don't neglect tax credits for education, like the lifetime learning credit and the American opportunity tax credit.

❍ Some parents may draw money from taxable investment accounts to pay for college or for other expenses. If you're tapping that cash, be aware of the tax implications of selling appreciated securities. It may be well worth it to meet with an advisor before you make any big moves.

In Your 50s

As you hit the mid-century mark, keep doing what you can to reduce the taxes you owe and save as much as you can for retirement.

❍ Don't forget about catch-up contributions to IRAs and 401(k) plans. You can contribute an extra $6,000 to a 401(k) plan and an extra $1,000 to an IRA once you hit age 50.

❍ Start thinking about health care expenses in retirement, if you haven't already. Putting some money into a tax-free health savings account is a way to reduce your taxable income today and have a tax-free fund to draw on for health expenses later in life.

❍ Selling the family home? Don't neglect to consider the potential tax implications.

❍ If you've earned stock options or other perks through your employer, make sure you understand the tax implications of a cash-out.

In Your 60s

Retirement is on the horizon. The tax planning decisions you make in this decade will be crucial to your overall retirement success.

❍ Understand how your Social Security benefits will be taxed. Up to 85% of your total benefit may be taxed, depending on how much other income you have.

❍ Consider converting a traditional IRA to a Roth IRA. Some people may benefit from paying the taxes on the conversion now for the promise of tax-free income later on. For those who are not eligible for traditional or Roth IRAs, consider contributing to a nondeductible IRA. As of 2011, all taxpayers, regardless of income level, can convert traditional IRAs to Roth IRAs.

❍ Check your options before retiring. The choices you make regarding distributions from your pension plans and IRAs will have a significant impact on your tax situation after retirement. Make sure you review all your options before deciding how to withdraw those funds.

Please call if you'd like to discuss your tax situation in more detail. ❍❍❍

A Financial Plan

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spouse. It could also involve changing those you name as heirs, for any number of reasons, including deaths, births, or simply a change in your preferences.

Career and income changes. For most people, their lifestyle today and the one they plan for retirement is closely related to their current income. If you're promoted and your income increases, or you change careers or lose your job, your current lifestyle is likely to change; and you might need to reset your goal for your retirement too. In fact, anything that dramatically changes your asset values — like an inheritance, the sale of a business interest, or uncovered medical expenses — could also mean it's time to reset the scope of your retirement lifestyle.

Changes in tax rates and tax laws. Over the past decade, taxation has been a particularly volatile subject, with federal and state income and investment taxes changing and big swings in estate tax provisions. These can have a major effect on the value of any strategy you may have in place, from the types of retirement accounts you have, to your strategy for harvesting taxable gains and losses, to your estate plan for minimizing taxes.

Potential changes in Social Security and health insurance. The Affordable Care Act, passed in 2010, is restructuring the health care insurance market. As for Social Security, to date its benefits are linked to the rising cost of living; so it's important to stay on top of your projected benefits year by year. Meanwhile, it remains to be seen whether benefits will be restructured in the future, given the concerns over the long-term solvency of the program.

Market returns. Market volatility can wreak havoc with your plans for the future. But even without major gyrations in the markets, it pays to review the investment and asset components of your financial plan at least once a year. Even the best plans are based on estimated future rates of return applied on a straight-line basis. As a result, it's more often your actual returns will vary than they'll hit your projections exactly.

What's important is to check your progress toward your long-term goals and remember that you're more likely to be in a marathon toward your goals than a sprint. On the other hand, wide divergences from your trend line may mean you need to save more, devote more of your income to other needs or goals, or change your asset allocation strategy.

It can be a mistake to let your financial plan sit too long unattended. Much has changed in just the past few years. If you feel it's time to give your plan another look, please call. ❍❍❍

Bond Investing Tips

Consider the following tips if bonds are part of your investment portfolio:

- ❍ **Determine your objectives before investing.** Decide how much of your portfolio you want invested in bonds.
- ❍ **Diversify your bond holdings among different bond types.** Consider government, corporate, and municipal bonds, as well as different industries, credit ratings, and maturities.
- ❍ **Understand the risks that affect bonds.** The most significant risk is interest rate risk. When interest rates rise, bond values fall, while values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.
- ❍ **Choose bond maturity dates carefully.** When you'll need your principal is a major factor, but the current interest rate environment may also affect your decision. Rather than investing in one maturity, you may want to stagger or ladder the maturity dates in your portfolio.
- ❍ **Follow interest rate trends.** At a minimum, follow the prime rate, Treasury bill rates, and Treasury bond rates. Understand the significance of the yield curve and track its pattern over time. By monitoring current interest rate levels, you will be able to evaluate the appropriateness of an interest rate for a specific security.
- ❍ **Compare interest rates for specific bonds before investing.** Interest rates can vary substantially among different bond types and among bonds with different maturities or credit ratings.
- ❍ **Research a bond before purchase.** Review the credit quality, coupon rate, call provisions, and other significant factors. Determine whether the bond is appropriate for you in terms of risk, return, and maturity date.
- ❍ **Consider the tax aspects.** By comparing the after-tax rate of return for various types of bonds, you may be able to increase your return. Depending on the bond, the interest income may be fully taxable or exempt from federal and/or state income taxes.
- ❍ **Review your bond holdings periodically.** Evaluate the credit ratings of all your bonds at least annually to ensure the quality hasn't deteriorated. Also, ensure your holdings are still consistent with your overall investment objectives and asset allocation plan. ❍❍❍

Financial Data

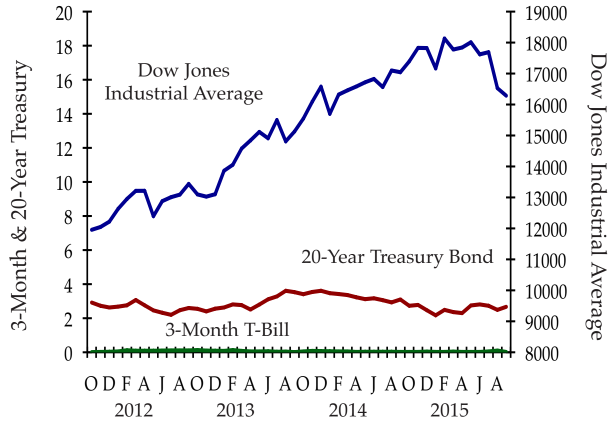
Indicator	Month-end Jul-15	Aug-15	Sep-15	Dec-14	Sep-14
Prime rate	3.25	3.25	3.25	3.25	3.25
Money market rate	0.33	0.26	0.29	0.43	0.42
3-month T-bill yield	0.05	0.10	0.02	0.04	0.02
20-year T-bond yield	2.73	2.49	2.67	2.47	3.10
Dow Jones Corp.	3.31	3.33	3.26	3.08	2.90
30-year fixed mortgage	3.55	3.47	3.47	3.47	3.81
GDP (adj. annual rate)#	+2.20	+0.60	+3.90	+2.20	+4.60

Indicator	Month-end Jul-15	Aug-15	Sep-15	% Change YTD	12 Mon.
Dow Jones Industrials	17689.86	16528.03	16284.70	-8.6%	-4.4%
Standard & Poor's 500	2103.84	1972.18	1920.03	-6.7%	-2.6%
Nasdaq Composite	5128.28	4776.51	4620.16	-2.4%	2.8%
Gold	1098.40	1127.00	1114.00	-7.1%	-8.4%
Consumer price index@	238.60	238.70	237.90	0.7%	0.0%
Unemployment rate@	5.30	5.30	5.10	-12.1%	-16.4%
Index of leading ind.@	123.60	123.60	123.70	17.3%	19.4%

— 4th, 1st, 2nd quarter @ — Jun, Jul, Aug Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

October 2011 to September 2015

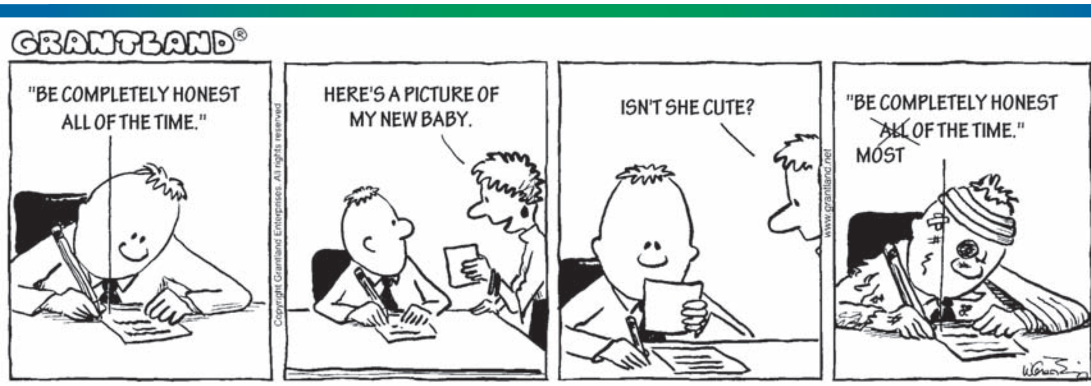


Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested into directly. Past performance is not a guarantee of future results. The Dow Jones Industrial Average (DJIA) is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

News and Announcements

We had big news recently from our office. We'd like to congratulate **Chuck and Sylvia Barley** on the celebration of their 50th wedding anniversary, Friday September 18. On that day 50 years ago, Lyndon B. Johnson was president, Sony and Cher's "I Got you Babe" was the #1 song on the charts, and Mickey Mantle played his 2,000th game. They celebrated their anniversary by renewing their vows in front of their family and close friends. It is amazing that their bond has lasted so long. They are a true testament to the everlasting powers of love and friendship.

As part of the integration between Capital Planning Institute and Saline Wealth Management Group, we will be closing the Cinnaminson office this November and will be moving all our operations to our Cherry Hill office. Many of you have already been to the Cherry Hill office; however, if you have not already done so, please drop by anytime. It is conveniently located two blocks from exit 32 on I-295, right by the Winner Ford dealership and Haddonfield shops.



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