

# NORTH LAKE TAHOE FINANCIAL SERVICES, LLC

Owen A. Hill, CFP®, EA, NAPFA Registered Fee-Only Financial Advisor

Certified Financial Planner™/ Enrolled to Practice before the IRS/ Registered Investment Advisor, California & Nevada

**“Providing Client Financial Security since 1998”**

## Newsletter

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North Lake Tahoe Financial Services offers

### Fee-Only Financial Planning for

**Cash Flow** - Creating a budget that works for you.

**Education** - Saving and paying for college efficiently.

**Estate Transfer**- Giving to heirs efficiently.

**Insurance**- Determining how much insurance you really need. Impartial advice. No insurance sales.

**Investments** - Designing the right investment plan for your situation. Impartial advice. No security sales.

**Income Tax** - Tax credits, deductions and other savings, and funding college, retirement, and other goals.

**Retirement** - Financial independence. A comprehensive retirement plan requires providing your financial & other information that is then reviewed and entered into sophisticated software that calculates various outcomes that help ensure that your plan will provide lifetime financial security.

### Annual to Quarterly Investment Review

A review of your securities and other investments, and an examination of your current diversification and risk tolerance. Investment management with Vanguard Funds.

### Income Tax Return Preparation

All Personal Tax Return Preparation (Including complex Merchant Mariner & Traveling Healthcare Professional tax returns). Estates, Trusts & Business tax returns.

Licensed to practice before the IRS in all 50 states.

### Accounting QuickBooks Professional Advisor.

Small Businesses, Estates, Trusts and Personal. Daily Money Management (bill paying and credit card/bank account reconciliation).

*Mail review and forwarding services can be arranged.*

*Hours are by appointment. Telephone and email messages are replied to within 24 hours.*

**Call for a Free Initial Consultation**

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### Investing with North Lake Tahoe Financial Services, LLC and the Vanguard Group

The Vanguard Group's family of mutual funds and Exchange Traded Funds, ETFs, is well known for its dedication to low costs to investors- a very important factor in long term investment growth.

Vanguard, although not set up as a broker-dealer, (you would open your own personal account in order for an Advisor to assist), has expanded its Registered Investment Advisor program. As a long time investor with Vanguard, and proponent of low cost No Load Mutual Funds and ETFs, I look forward to assisting Financial Planning Clients in search of a better return on their investment dollars thru this program.

**I will provide assistance in either of two ways based on market & fund research, proper level of diversification and the Client's specific situation, investment goals and risk tolerance:**

- 1. By having authority to periodically check on Client investments and make recommendations, or**
- 2. By having the authority to switch investments inside of the Client account.**

Neither method requires our having authority to remove client funds from client accounts. My fee is always on an hourly basis, rather than the typical 1 to 1-1/2% of assets managed per year. We will not be trying to significantly beat the market, but rather to provide a better long-term return for those who are currently not doing very well with their investments. For those who are not currently invested in the securities markets I recommend dollar cost averaging, so as not to be caught investing everything at a market high just before a pull-back.

Long-term investing, with low investment expense, has been very successful for most, but short term prospects are always far less certain. This program is best for those who expect to be invested for a long period of time.

Vanguard offers a wide variety of investment choices. It also has a variety of very good webinars and tools for clients- and for advisors- to use in achieving a good investment return over a long period of time.

## **Tax Savings through Charitable Contributions**

Year-end tax planning includes considering the effect of charitable contributions, and the most effective way to benefit both the donor and the organization.

We offer guidance with the Donor Advised program, which makes it possible to donate to a charitable fund now, while retaining some control over where the money will be used in the future. The money can be invested in low cost Vanguard funds so that it may grow as time goes by until it is actually delivered to the respective charities. The Donor gets an immediate income tax deduction.

For those who prefer to have a relative control the assets in the future and get paid by the contribution for doing so, there is the Family Foundation option- a more expensive way to handle the money.

With higher tax rates for 2013 and beyond, charitable contributions are worth more. The rate now for a couple can be 39.6% for income over \$450,000 and for singles over \$400,000.

There is now an additional 3.8% Medicare tax on investment income for singles whose Adjusted Gross Income, AGI, is over \$200,000 & for joint filers over \$250,000. If investments are donated to a charity, rather than the taxpayer selling shares and then donating, the full amount of profit goes to the charity with no income tax payable.

Singles with AGI over \$250,000 and Joint filers with over \$300,000 lose 3% of the amount above that in itemized deductions. The total reduction cannot exceed 80% of itemizations. Medical, investment interest, casualty and gambling losses claimed are not subject to this loss, but charitable deductions can be affected.

## **Income Tax Planning**

### *Year-End Planning Ideas*

*(SUBJECT TO CHANGES IN FEDERAL TAX LAW)*

#### Personal:

- 1 You may be able to deduct \$5,500 (\$6,500 for those over 50) for an IRA contribution for 2013 and 2014 (by April 15<sup>th</sup>).
- 2 You may benefit from converting your traditional IRA to a Roth IRA in 2013.
- 3 'Bunch' itemized deductions into another year if they don't exceed the itemized deduction.
- 4 Travel for medical and charitable purposes may be deductible.
- 5 Professional tax & investment planning can be a deductible expense.
- 6 Look into qualified energy saving ideas for your home and auto for tax credits.
- 7 New Medicare taxes: Those joint filers with Modified Adjusted Gross Income over \$250,000 (\$200,000 for Singles) are subject to a 3.8% Net Investment Income Tax and wage earners at that level may owe and extra .9%.

#### Business:

- 1 Items bought for personal use, but used in the business may be deductible when converted.
- 2 There are significant Tax Credits for employee health insurance.
- 3 Shop by December 31<sup>st</sup> to deduct for 2013.
- 4 A Simplified Employee Pension (SEP) plan is easy to set up and great for business owners. Twenty percent up to \$51,000 (2013) and \$52,000 (2014), of net income can be contributed each year. The Owner must contribute the same % to some employees.
- 5 There are no Federal employment taxes due when employing your children under 18 in your non-incorporated business. Unemployment-21.
- 6 Now is a good time for many people to start a small business of their own!

**Personal Notes:** Thank you for the continuing referrals - our favorite and main source of new clients.

Published for clients of North Lake Tahoe Financial Services, LLC. Recommendations are not appropriate for everyone and should not be relied on to avoid IRS penalties. Prior to making investment decisions, individuals should consult their investment and tax advisors. Clients should ask for Part II of my NASD Form ADV before accepting, or paying for, financial advice. No client information is shared with 3<sup>rd</sup> parties without client consent.

**We Wish You a Happy and a Prosperous 2014!**