December 2018

ESTATE PLANNING WITH PAUL HOOD

What is the most important item to focus on before the end of the year? I'll offer the three most important things to focus on as we reach the end of 2018 and ring in (gulp - 2019!) At year's end, it's most important to reflect on your good fortune and to take stock of 2018. First, you should pull out your estate planning documents and read them. You don't have to go to your estate planning attorney to do this. Just pull them out and read them to see if they still comport with your intentions. If there have been any life changes or other significant events during the year, then you may well need to revise your documents, and that includes beneficiary designations in life insurance policies and retirement plans.

Secondly, you should have some idea about your tax position in 2018 for your upcoming tax returns that will be due in April 2019. If you've got no idea where you stand, then you've got homework to do. If you've got marketable securities and you sold some at a gain, you may want to consider selling some stock or mutual funds in which you're carrying loss positions to offset the capital gains tax on the winners. Don't forget that if you sell a losing stock before year's end, you can't buy it back for 31 days, or the wash sale rules will deny the loss, which means that you'll owe capital gains tax.

Finally, reflect on 2018 with a view toward making changes or improvements in 2019. Don't wait until January 1, 2019 to set some goals for 2019. Anticipate the year and plan for it. You'll be glad you did when 2020 comes around!

With the new tax laws for 2018, how does that help my bottom line? Many got an income tax break on the reduction in tax rates. However, and this isn't new, sadly, the new laws are more complicated than ever and virtually require professional help.

How does an IRA rollover help me with my 2018 taxes? An IRA charitable rollover can help you with your taxes in two principal ways. Firstly, it can reduce your taxable income by diverting forced out income (your required minimum distribution or RMD) to your favorite charity like the Sylvania Franciscan Sisters. While you don't get an income tax deduction for an IRA charitable rollover, your taxable income will effectively be reduced because of the amount you gave out of your IRA to further your philanthropic pursuits. Finally, the IRA charitable rollover (up to $100,000 per taxpayer) counts toward your RMD, which helps avoid that obnoxious 50% penalty for failing to take out the forced RMD before year-end.

There is a difference between RMD and QCD. What is it? A Qualified Charitable Distribution (QCD) is a direct transfer from an IRA custodian to a qualified public charity and is limited to $100,000 per taxpayer per year. The RMD is an amount that must be taken out of an IRA or qualified retirement plan annually to avoid the 50% penalty. A QCD satisfies that part of the donor's RMD for the year. THE RMD can be larger than $100,000 if the IRA is large. Finally, the QCD is an elective decision on the donor's part, whereas the RMD is a requirement for almost all qualified retirement plans and IRAs essentially when someone is over age 70.5.

Paul Hood obtained his undergraduate and law degrees from Louisiana State University and an LL.M. in taxation from Georgetown University Law Center before settling down to practice tax and estate planning law in the New Orleans area. Paul has taught at the University of New Orleans, Northeastern University, The University of Toledo College of Law and Ohio Northern University Pettit College of Law. Paul has authored or co-authored seven books and over 500 professional articles on estate and tax planning and business valuation.