

## HOW WILL TAX REFORM IMPACT RETIREES?

The Tax Cuts and Jobs Act of 2017 ushered in broad changes impacting taxpayers across all income levels. How retirees will fare under the new tax laws depends on many variables from your annual income to where you live and even your health. That's because in addition to adjusting rates and tax brackets and raising the standard deduction, the Tax Cuts and Jobs Act eliminated the personal exemption and all miscellaneous deductions, and capped or eliminated certain other deductions. That means retirees who previously itemized their deductions will need to determine if the increase in the standard deduction (\$12,000 for single filers, \$18,000 for heads of household, and \$24,000 for married taxpayers filing jointly) makes up for lost deductions under the new tax laws.

For example, since the SALT (state and local tax) deduction is now capped at \$10,000, retirees living in states with high property taxes may not be able to deduct the full amount of property taxes paid. Similarly, with the mortgage interest deduction capped at loans of no more than \$750,000, those with larger mortgages will be limited in how much they can deduct. Medical expenses will also factor into the decision to itemize or take the standard deduction. For tax years 2017 and 2018, you can deduct qualified, out-of-pocket medical expenses that exceed 7.5% of your adjusted gross income (AGI). For those with high out-of-pocket medical expenses, this could make itemizing worthwhile. But keep in mind, beginning in 2019 that threshold increases to 10% of AGI.

Due to adjustments made across all seven tax brackets, many retirees may be able to keep more of their income in retirement than in previous years, including those age 70 ½ or older who are subject to RMDs (required minimum distributions), as well as investors realizing short-term capital gains which are taxed as ordinary income. A complete list of 2018 income tax rates and brackets is available at [The Tax Foundation](https://taxfoundation.org/2018-tax-brackets/), a leading nonprofit focused on tax policy.

Notably, two widely debated provisions, the alternative minimum tax (AMT) and the surtax on net investment income (NIIT) remain.<sup>1</sup> The AMT was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. It requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. Created as part of the Affordable Care Act, NIIT is a 3.8% surtax that applies to certain net investment income of individuals, estates and trusts above specific threshold amounts.<sup>2</sup>

These are only a handful of changes and provisions retirees need to know about as they manage their income and finances in the months ahead. Because tax planning is a core component of a comprehensive approach to wealth management, it's important to consult with a tax professional or financial advisor to determine how reforms to the tax code may impact your personal finances and income in retirement. Putting the right tax advantaged strategies in place now can help ensure you keep more of your income later.

To learn more, contact the office today to schedule time to discuss strategies that may help you optimize income and taxes in retirement.

<sup>1</sup> <https://taxfoundation.org/2018-tax-brackets/>

<sup>2</sup> <https://www.irs.gov/newsroom/net-investment-income-tax-facts>

# 5 WAYS FITNESS TRACKERS CAN LEAD TO A HEALTHIER LIFESTYLE IN RETIREMENT

An important factor in determining how well you age is how active you are, according to the Mayo Clinic. The world-renowned not-for-profit institution recommends 150 minutes of moderate intensity or 75 minutes of vigorous activity per week. Yet, based on their findings, a whopping 60% percent of older adults don't meet these minimum recommendations.<sup>1</sup> That's where fitness trackers – wearable devices and apps that monitor physical activity and other health factors can make a difference. A study published in the American Journal of Epidemiology suggests that people who wear activity monitors and use them to ensure they get about 150 minutes of moderate exercise per week have about a 35% lower likelihood of premature death than those who get less exercise.<sup>2</sup>

That makes a pretty compelling case for tracking your every move! Fitness trackers not only help you incorporate a broad range of healthy habits into your daily routine but provide helpful reminders to get up and move or drink more water throughout the day.

Below are five ways fitness trackers can help retirees pursue a healthier lifestyle in retirement:

1. **Track vital stats.** Today's most sophisticated trackers monitor heart rate, sleep and other important health factors. Some claim to even help detect health problems like heart arrhythmia and sleep apnea.<sup>3</sup>
2. **Set personal goals.** Fitness trackers connect to apps on your smartphone or tablet and allow you to establish and track a broad range of fitness goals. You can keep your goals private or share them with friends.
3. **Make social connections.** Join friends, family members or private online groups to compete, motivate and encourage each other. You may even make new friends by connecting with local users with similar interests.
4. **Access the latest health news and tips.** Tracker apps offer broad access to health news, recipes and eating plans, customized yoga and exercise videos, and even personal coaches to help you stay motivated.
5. **Celebrate your accomplishments.** Alerts and notifications keep you motivated by celebrating your achievements from reaching small daily and weekly goals for steps, calories, exercise, sleep, and water intake to achieving longer-term milestones such as weight loss or miles walked over the course of a month or year.

Whether you prefer an activity band or watch, there's no question that the ability to track and view your progress 24/7 can be a highly motivating factor for building on your accomplishments and maintaining a healthier lifestyle in retirement.

<sup>1</sup> <http://www.mobihealthnews.com/content/survey-one-three-people-tracks-health-fitness-app-or-device>

<sup>2</sup> <https://academic.oup.com/aje/article/184/9/621/2332832>

<sup>3</sup> <https://www.wearable.com/fitness-trackers/the-best-fitness-tracker>

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