

The BV Group Newsletter

1st Quarter 2018

BAIRD

The Gift of 2017

What an incredible year 2017 turned out to be for the markets. Every major index was positive and the markets saw very little volatility throughout the year. (For data points on volatility check out our 2018 Economic Outlook Video on our website). It truly was a gift that frankly, we don't think would keep giving.

Coming off a strong year, the majority of our clients are asking us when we are going to see a correction and if they should take money out of the markets. Unfortunately, no one knows if 2018 is going to see a correction or if we'll have another 2017 year of growth. However we can tell you this is the perfect time to reevaluate the risk in your portfolios and that starts with revisiting your plan. Our belief is that you shouldn't take any more risk than you need to reach your financial goals. So our first step is to review your goals. If you are going to exceed those goals or are falling behind, it may make sense to make a change to your strategy despite what your allocation currently is.

If you'd like you update your plan or re-evaluate the risk in your accounts, give us a call at 262-523-5644.

We look forward to continually serving you in 2018.



Front Row Left to Right: Jennifer Young, Briana Berndt
Back Row Left to Right: Rick Vertheim, CFP®, Curt Brewer, CFP®, ID

MARKET PULSE (As of 12.31.2017)

Index	YTD	1 year	3 year	5 year
Dow Jones Ind Avg	28.1%	28.1%	14.4%	16.4%
S&P 500	21.8%	21.8%	11.4%	15.8%
MSCI EAFE	25.0%	25.0%	7.8%	7.9%
Barclays Intm Bond	2.1%	2.1%	1.8%	1.5%
Barclays Muni Bond	4.5%	4.5%	2.4%	2.4%
BofAml High Yield	7.5%	7.5%	6.4%	5.8%
Citi 3-Mo T-Bill	0.8%	0.8%	0.4%	0.3%

2018 Tax Reform: The Qualified Charitable Distribution

With the recent tax reform bill, many of our clients were left with questions on how it would affect their personal situation and if there are any tools that we can use to save even more on their taxes. Taxes are tricky to plan for broadly as every client's taxes are different and many of our client's situations change from year to year. However to a certain segment of our clients, we have found one opportunity that may be more favorable to take advantage of than it was in the past.

This strategy, while not new, is called the qualified charitable distribution; in short, this is making a charitable contribution directly from your IRA. Specially, this strategy will be the most valuable for clients that are first, charitably inclined and secondly will no longer be able to itemize their deductions due to the increased standard deduction.

The Qualified Charitable Distribution (QCD) rules allow taxpayers to make IRA distributions payable directly to a qualified charity without treating the distribution as taxable income. This law permits up to \$100,000 per taxpayer to be contributed directly from an IRA to a charity. In addition, the distribution will count towards the IRA owner's Required Minimum Distribution (RMD) for the year.

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In order to be considered a Qualified Charitable Distribution, the following conditions must be met:

- The IRA account holder must be age 70½ or older as of the date of the distribution.
- Eligible recipients are public charities, excluding donor advised funds and supporting organizations.
- The exclusion from income only applies if the distribution otherwise would have been treated as taxable income (which leads to a planning opportunity – see below).
- The full payment to the charity would have been allowable for a charitable contribution.
- The distribution must be a direct transfer from the IRA trustee to the charity. The IRA owner cannot use the QCD as a way to reimburse themselves for gifts they previously made on their own.

The reason why this is more attractive due to the tax reform bill is due to how QCD's should be reported at the end of the year. The fact is that QCDs should not be reported as income at all, therefore saving you the taxable income on what would have been your required minimum distribution. While the 1099R will show your full distribution, you will want to provide your accountant how much was a tax free charitable distribution.

In past years, if you were charitably inclined, but didn't use the RMD to make the charitable distribution your taxes would go as follows:

1. Make your charitable contribution during the year, keep track of the value and add this to your itemized deductions.
2. Distribute your RMD from the IRA and add that to your gross income on the 1041 form.
3. Add the charitable contribution to your itemized deductions in hopes that they exceeded the standard deductions.

For 2018, the standard deduction effectively doubles (\$24,000 for married couples and \$12,000 for single) and you lose some itemized deductions, therefore it may be more difficult for some taxpayers to see the tax benefit of a charitable deduction. So, how can you still reap the same tax benefits? Use the QCD as mentioned above if you are eligible to do so. The Qualified Charitable Deduction effectively eliminates the reporting of taxable income at all on your tax return, as opposed to combining it with itemized deductions, which essentially eliminates the concern with the standard deduction.

Coming at you “Live”

Keep an eye out for our new video updates that we have started shooting! Our goal is to continually find ways to enhance your experience with our team and provide you with timely market and wealth management updates. To provide a more personalized update, we started shooting video which will be posted on our website and social media pages such as LinkedIn and Twitter. Please be sure to follow up on our pages and feel free to share any videos with your friends and family.

BV Group - Video Update Series



Latest Video: Year-End Planning

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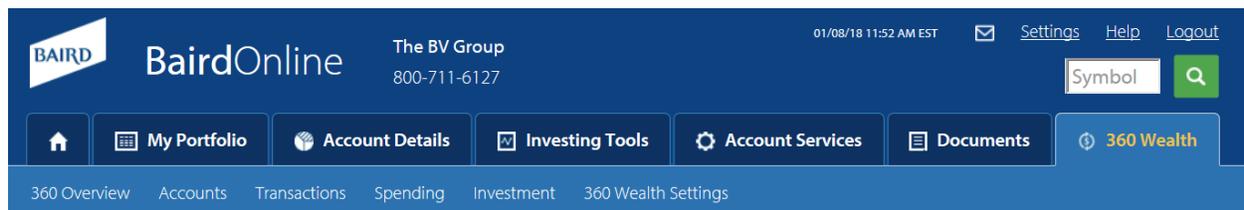
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Upcoming Baird Wealth Strategies Calls

- **Baird Wealth Strategies** –*We will be sending invitations out to clients in targeted emails regarding topics that we feel that you might find interesting. This will be done in order to avoid sending you excess email communication and keeping your inbox clean. If however there is a topic you are interested or would like to know more about, please don't hesitate to let us know.*
 - *January 17th, 2018* – **Financial Planning in a Changing Tax Environment: The Tax Cuts & Jobs Act**
 - *Presented by **Tim Steffen**, Director of Advanced Planning*
 - *February 21st, 2018* – **Implications of Elder Law and Medicaid Planning: What it means for you**
 - *Presented by **Peter Walsh**, Award Winning Attorney*
 - *March 21st, 2018* – **Strategic Social Security: Maximize Your Potential**
 - *Presented by **Rich Braun**, Senior Financial Planner*
 - *April 18th, 2018* – **Why the Market is Ignoring the News**
 - *Presented by **Randy McLaughlin**, Portfolio Manager, Specialized Asset Management*
- Watch any previous Baird Wealth Strategy calls here: <http://www.rwbaird.com/private-wealth-management/wealth-strategies-videos>

Other BV Group Updates

We are excited to share that soon you will see in our Baird Online our new account aggregation tool called “360 Wealth.” 360 Wealth will allow you to securely link all of your outside accounts, such as checking accounts, savings accounts, 401ks, and even your mortgage in your Baird Online. Once linked, you will see in real time your net worth, investment allocation, assets and liabilities all in one place. Keep an eye out for our email to announce the official rollout of 360 Wealth.



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