WEALTH MANAGEMENT REPORT

Protect Yourself Against Spearphishing

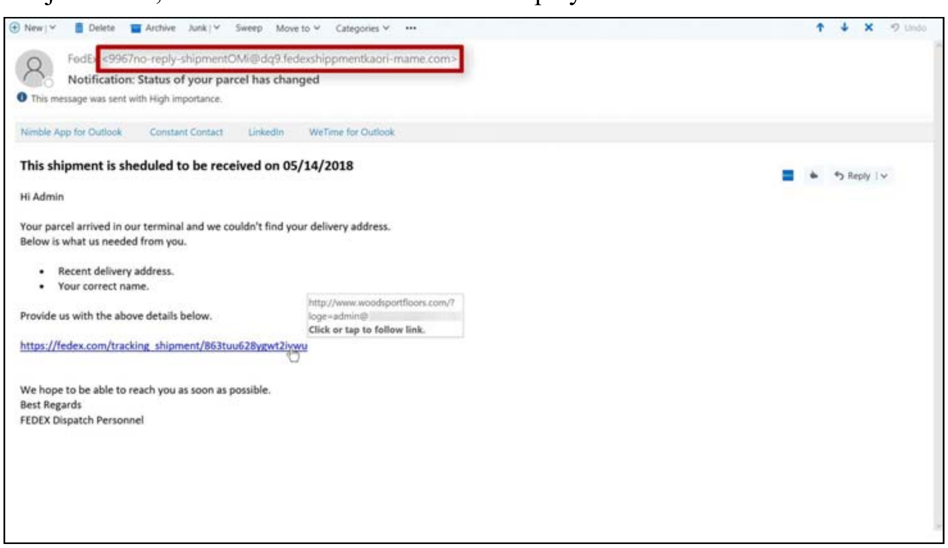
The Russian conspiracy to meddle in the 2016 presidential campaign relied on a common scam called "spearphishing." While the history-making scam may sound sophisticated, this form of digital fraud is running rampant. Anyone using email is likely to be attacked these days. Here are some tips to protect yourself.

In a spearphishing attack, a hacker sends you an email message to trick you into disclosing your username and password to a secure account. The message looks like it's from a legitimate source you trust.

You click on the link and, unbeknownst to you, you install a program that records your keystrokes. The email from a trusted source was a Trojan Horse, malicious software that sends your password and user ID to the hackers.

New variants of the scam are appearing so fast that anti-virus software can't keep up, which puts you on the front line in defending yourself from attack. Perhaps the most important way to thwart an attack is by looking at links in emails before clicking.

In this popular spearphishing scam, hovering over the link in the email displays a website address that is



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What To Make Of Recent Ups And Downs In The Stock Market

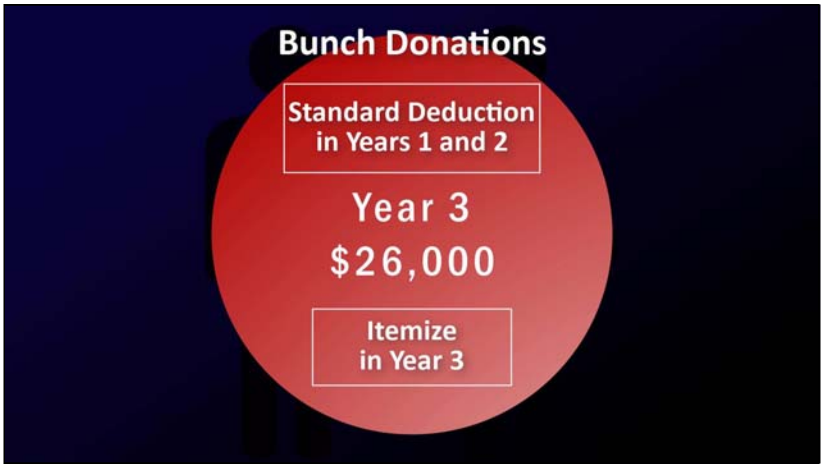
The increase in volatility in the stock market has created anxiety for some investors. While it may be difficult to remain calm during a market decline, it is important to remember that volatility is a normal part of investing. Additionally, for long-term investors, reacting emotionally to volatile markets may be more detrimental to portfolio performance than the drawdown itself.

Since 1979, the market has experienced an average intra-year decline of about 14%. About half of the years observed had declines of more than 10%, and around a third had declines of more than 15%. Despite substantial intra-year drops, calendar year returns were positive in 33 years out of the 39 examined. This goes to show you just how common market declines are and how difficult it is to say whether a large intra-year decline will result in negative annual result.

While market volatility can be nerve-racking, reacting emotionally and changing long-term investment strategies in response to short-term declines could prove more harmful than helpful.

By adhering to a well thought out investment plan investors may be better able to remain calm during periods of short-term uncertainty and reap the potential rewards that markets have to offer.

Sidestepping New Limits On Charitable Donations



If you think you're no longer allowed to deduct items like charitable donations on your income tax return, think again.

The new tax law doubled the standard deduction, slashing the number of Americans eligible to itemize deductions from 37 million to 16 million.

However, if you are among those who will lose your ability to deduct charitable donations, there is a simple strategy for managing the new limits on charitable giving, and it enables you to continue doing good while doing well for yourself by reducing your tax bill.

The strategy is simple: bunch a few years of donations into a single tax year instead of making them annually.

Rather than report charitable donations on your tax return every year, you bunch two or more years of contributions into a single tax year — enough to boost the charitable total above that year's standard deduction.

Say you're married and you give $10,000 in Year 1, $6,000 in Year 2 and $10,000 in Year 3. Your $26,000 total surmounts the $24,000 eligibility. If you deduct the total donations of $26,000 in Year 3, you can take the standard deduction in Years 1 and 2 and itemize in Year 3.

Instead of giving in dribs and drabs, you will need to plan your giving strategy, but this will allow you to give as much as you used to before the limits without losing the tax benefits.

And if you can plan to make the larger donations in a year when you expect higher income, bunching charitable donations can be even more effective in lowering your tax bill.

Obviously this tactic does take some planning in advance, so talk to your CPA.

If you have any questions about your personal situation, please do not hesitate to give us a call. ●

Key Facts On Deducting Medical Expenses

Medical expenses can run up your expenses a lot. For that reason, the new tax law gives people a break by sweetening the long-time tax deduction for health care, at least for a couple of years.

Before the Tax Cuts and Jobs Act (TCJA), you could deduct medical expenses that exceeded 10% of your adjusted gross income (AGI). For the tax years of 2017 and 2018, the TCJA lowered the threshold to 7.5%. AGI is taxable income minus all deductions, IRA contributions and student loan interest. Of course, the medical tax break is available only to people who itemize.

The trouble is the more generous deduction expires after 2018, when the threshold rises back to 10%. Groups like AARP are lobbying in Washington to get the 7.5% level extended or made permanent, and that could factor into your timing and decisions about medical expenses in the months ahead.

Say your AGI is $45,000 and you rack up $5,475 in medical costs. You multiply $45,000 by 0.075 (7.5 percent) to get your deduction threshold of $3,375. Only medical expenses above $3,375 would be deductible. Result: your medical expense deduction is $2,100 ($5,475 minus $3,375).

Some big-ticket items are deductible medical expenses, like long-term care insurance premiums, nursing home payments and Medicare costs — including Medicare Part B, Medigap policies, Medicare Advantage programs and Part D Prescription plans.

In addition, any health insurance you pay out of pocket can be deducted. But that can't include coverage you pay for with before-tax dollars, which is often the case with employer-sponsored medical plans.

Another big deductible item is co-payments for prescription drugs — and also out-of-pocket fees for doctors,

A Reminder About Harvesting 2018 Tax Losses

Once a year, investors get a chance to lower their tax bill on investments outside of tax-advantaged 401(k) and IRA accounts. It can save thousands annually and is not difficult to do, but it requires the discipline to take the time to gather your records and remember the rules. We're here to help with tax-sensitive investing, and what follows is a reminder about how tax-loss harvesting works.

This maneuver enables you to lower your taxes by realizing investment losses and applying against capital gains or ordinary income. Even though you might not have any gains right now, you can use loss-harvesting in the future for gains or income. Here's how it works:

- Sell an investment valued at less than you paid for it.
- Use that loss to lower capital gains on a profitable investment or deduct up to $3,000 of losses from your income.
- Reinvest in investments that fit into your portfolio and match your strategic goals.

The steps in tax-loss harvesting are:

Picking What to Sell. Review your portfolio and identify what no longer fits. Did that hot stock tip from your brother-in-law not work out? Sell it and use the loss to offset the gain reaped by selling a winning investment.

Favor Short-Term Gains and Losses. Securities bought and sold for a year or less are subject to ordinary income tax rates, which can range as high as 37%, depending on your bracket. But long-term gains (investments held for more than a year) are taxed as capital gains and at a lower rate: 15% for most people and 20% for high-income joint-filers — $425,801 or more for singles, $479,001 or more for couples. IRS rules require you first apply all your short-term losses to offset short-term gains, but any additional short-term can offset long-term gains realized in 2018.

Watch Out for the Wash Sale Rule. This IRS dictum forbids you from taking a tax write-off if you buy the same security, or one "substantially identical," as you sold within 30 days before or after the transaction.

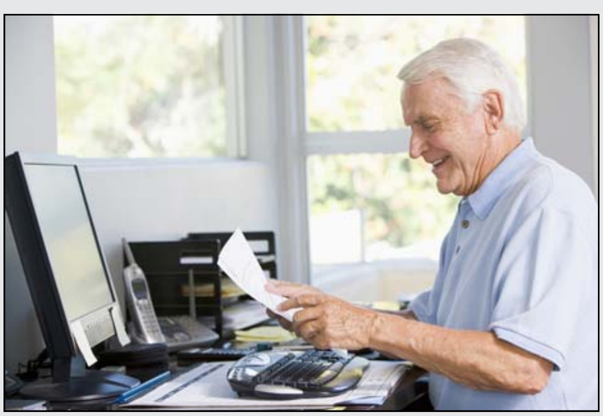
Be Aware of Cost Basis. When evaluating what to sell, knowing the cost basis of taxable security is critical. Cost-basis is the price you paid for a security, plus brokerage costs or commissions. If you bought XYZ for a $10 share and sell it for $25, your gain is $15. Monthly and annual brokerage statements show the cost basis.

Choose Your Method. One final complication: You must choose one of two methods for accounting for your security. The "average-cost" method is easiest if you added to a position over time. Then, you cost-basis is determined by averaging the cost per-share of all your purchases. The other method uses the actual cost of each lot of shares purchased, and lets you pick specific, higher-cost lots to sell, which can boost the amount of the loss and can most efficient.

This is a reminder of what can be a highly technical and important subject best handled with guidance from a tax and financial planning professional. We are here to answer any questions and help you implement tax-efficient investing strategies. ●

dentists, physical therapists and other health-care professionals not covered by Medicare or any other health insurance. Add in prescription eyeglasses, hearings aids and wheelchairs, and transportation costs to and from medical appointments, as well as alcohol and drug treatment programs.

Medical expenses are deductible only if they alleviate or prevent a physical or mental defect or illness, including dental and vision. So, you cannot deduct a gym membership if it is to promote your general wellness. However, if a doctor diagnoses you with a specific medical condition, such as obesity or hypertension, then the expense of the prescribed treatment may indeed be tax-deductible, including a gym membership. ●



A Trust For Creditor Protection

Trusts come in many shapes and sizes and serve different purposes. For instance, you might set up a credit shelter trust to provide wealth for your children and grandchildren while minimizing estate taxes. Another specialized trust—the domestic asset protection trust (DAPT)—is intended to keep assets from the reach of creditors even if you're named as beneficiary of the trust. DAPTs are available in more than a dozen states.

Although these trusts have been around for years, state laws that set the rules for them continue to evolve. Most state statutes allow a DAPT to be treated as a "grantor trust," meaning that you—the grantor—pay the income tax generated by the trust. Typically, you'll transfer to the DAPT securities, real estate, or other assets that could be targeted by creditors.

This arrangement may be ideal if you're in a "high-risk" profession—for example, if you're a physician, an attorney, or a business executive with sufficient wealth to make you a worthwhile target. Indeed, in today's litigious society, anyone with deep pockets could be sued. A DAPT can remove some of your concerns.

If the idea appeals to you, it's important to set up a DAPT before you need protection from creditors because most states that allow DAPTs have a required waiting period before protections kick in. Moreover, if you move assets into a DAPT after you've been sued or threatened with a suit, you could be accused of making a fraudulent transfer.

Yet as helpful as it can be a DAPT isn't a panacea for all your problems. For instance, most states' DAPTs include a "creditor exception" statute that might provide access to DAPT assets. Such provisions often protect a divorcing spouse who might otherwise lose out on assets that have been transferred to the trust.

Bankruptcy proceedings may also complicate your use of a DAPT, and again, the applicable laws vary from state to state. Finally, a DAPT is irrevocable—you can't undo it. Your attorney and other advisors can tell you whether this kind of asset protection would be worthwhile for you. ●

Protect Against Spearphishing

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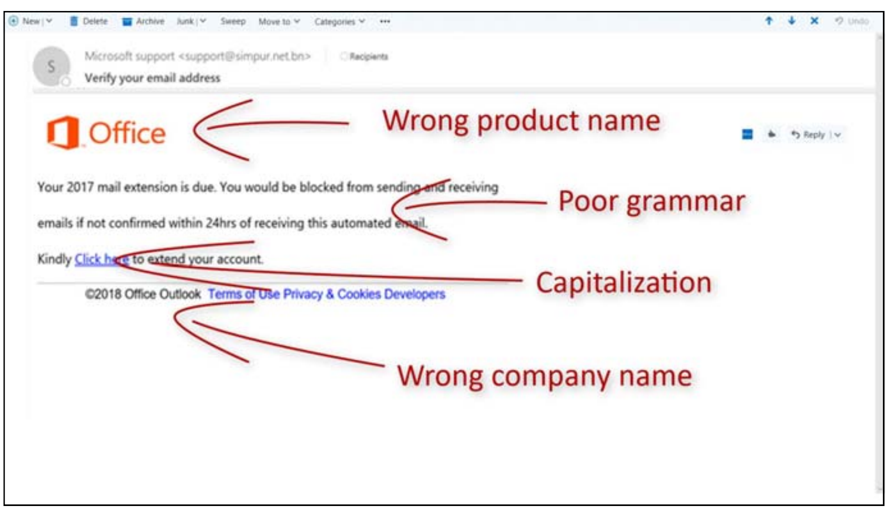
absolutely, positively not Federal Express. And the email address from which this message was sent is plainly NOT a legitimate Federal Express dot-com account. Often the "From" address will tip you off to a fraud.

Phishing emails, until recently, were easy to spot because they commonly contained misspellings, grammatical errors and company branding mistakes. A scan of hundreds of recent phishing messages indicates fewer of these telltale signs. The scammers are getting smarter.



While the cat versus mouse game has of late been won by the scammers, software solutions are growing stronger. For example, Microsoft Office 365 online users now have a way of designating a message as "Phishing." This new feature for "blacklisting" a malicious message prevents a scam from hitting you twice and gives Microsoft information about its origin. Of course, updating your anti-virus software is always a must. If you ever have any questions about emails you receive from us, please do not hesitate to call us. ●

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