Year-End Tax Strategies

As we get close to the end of the year, it’s time to implement tax-saving strategies. With the fate of many of the long-favored tax breaks having been settled late last year, this year’s planning should be easier—albeit more certain tax-wise—than it has been in quite a while. Of course, the national elections, as always, bring about a certain amount of angst in the tax and financial world, but at least we know what the tax laws are for 2016 and the odds of tax law changes in the near future seem pretty slim regardless of who is elected. Here are two important considerations to keep in mind:

1. Effective tax planning requires considering both this year and next year—albeit without considering a multiyear outlook, you can’t be sure maneuvers intended to save taxes on your 2016 return won’t backfire and cost additional tax in the future.

2. Be on the alert for the Alternative Minimum Tax (AMT) in all of your planning because what may be a great strategy for regular tax purposes may create or increase the AMT. There’s a good chance you’ll be subject to the AMT if you:

- Deduct a significant amount of state and local taxes
- Claim multiple dependents
- Exercise incentive stock options, or recognize a large long-term capital gain this year.

For tax-saving ideas visit our website under TIPS/NEWS/EVENTS. As always, you can call on us to help you sort through the options. Effective tax planning requires considering both this year and next year—albeit without considering a multiyear outlook, you can’t be sure maneuvers intended to save taxes on your 2016 return won’t backfire and cost additional tax in the future.

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Happy Holidays! From Your Friends at KRD Wishing You and Your Families a Happy and Safe Holiday Season and Prosperous New Year! We Can Help

We welcome the opportunity to discuss how KRD can help with your tax and financial planning, please call us at 847.240.1040

Entrepreneurial Spirit Drives Consumer Finance Company’s Success

After starting and running several successful companies, Dan Engelman, founder and CEO of SMART Payment Plan had an idea that would help thousands of Americans. His idea would have a profound impact on both credit providers and consumers alike—a service for smaller, more consistent debt payments matched to the consumers’ pay days. Backed by an empowered leadership team and a passion for constant improvement through continuous learning and change, the new company was off and running.

SMART Payment Plan’s innovative technology simplifies an individual’s bill paying process by automatically deducting smaller payments from their bank account on a regularly scheduled basis that coincides with their specific pay periods. This allows the individual to pay off debt faster and save money by reducing the amount of interest they are charged. And it potentially improves an individual’s credit score because of on-time payments to their debtors.

Successfully Navigating Uncharted Waters
Getting automotive dealers and mortgage professionals on-board proved to be a bit of a challenge in the beginning, Engelman recalled.

“We had to struggle to get automotive dealers and mortgage professionals on-board to prove to be a bit of a challenge in the beginning, Engelman recalled. “Lots of car dealers said we were crazy to think car buyers would let us automate their loan payments. Now, we are a complete bill payment service helping hundreds of thousands of Americans live easier, happier lives. We are proud to have been selected by automotive dealers as the leading bill payment service in their industry for three years in a row,” commented Engelman.

Today, Smart Payment works with numerous mortgage providers and top dealership groups across the country. Consumers are introduced to Smart Payment at the time of their purchase.

Poised for Growth
With increased scrutiny on the consumer finance industry beginning in the mid 2000’s, SMART Payment Plan had to demonstrate solid risk-management and financial practices as well as the value they provide to the consumer. KRD was instrumental in helping them navigate this process.

Looking forward to the future, the company plans on utilizing improvements in technology, strong dealer relationships, and an unmatched commitment to customer service to grow exponentially in 2017 and beyond.

KRD will be there to help. “We rely on KRD’s financial advice, their ability to satisfy regulator’s financial questions and the level of service they provide, it’s reassuring to know that they always have our back. Jon Segal is a trusted advisor, in both my professional and personal lives.” says Engelman.

To mark their 10th anniversary in 2013, SMART Payment Plan launched the Great American Debt Reduction Tour with a fully equipped RV that traveled the country informing Americans of the benefits of its bill payment service.
Saving Estate Taxes with an Irrevocable Life Insurance Trust

By Robert S. Jacobson, CPA, MST (Masters of Taxation)

Few people realize that, even though they may have a modest estate, their families may owe hundreds of thousands of dollars in estate taxes because they own a life insurance policy with a death benefit that could exceed the current estate tax exemption of $4.33 million dollars. This is because life insurance proceeds, while not subject to federal income tax, are considered part of your taxable estate and are subject to federal estate tax.

The solution to this possible estate tax problem is to create an irrevocable life insurance trust that will own the life insurance policy and receive the policy proceeds on your death. A properly drafted life insurance trust keeps the insurance proceeds from being taxed in your estate as well as in the estate of your surviving spouse. It also protects the trust beneficiaries from any potential future creditors since the assets are held in trust.

Here are the mechanics of the life insurance trust. You create an irrevocable life insurance trust to be the owner and beneficiary of one or more life insurance policies on your life. You contribute cash to the trust to be used by the trustee to make premium payments on the life insurance policies. If the trust is properly drafted, the contributions you make to the trust for premium payments will qualify for the annual gift tax exclusion, so you won’t have to pay gift tax on the contributions.

The life insurance trust typically provides that during your lifetime both principal and income, at the trustee’s discretion, may be paid to your spouse and descendants. This allows indirect access to the cash surrender value of the life insurance policies owned by the trust, and permits the trust to be terminated if desired despite its being irrevocable. Upon your death, the trust continues for the benefit of your spouse during his or her lifetime. Your spouse is given certain beneficial interests in the trust, such as the right to income and eligibility to receive principal. On the death of your spouse, the trust assets are paid outright to, or held in further trust for the benefit of, your descendants, tax free.

If you own a life insurance policy with a significant death benefit, an irrevocable life insurance trust may be of substantial benefit to you.

Applicable Social Security Changes for 2017

Tax Rates 2016 2017
Employee 7.65% 7.65%
Self-Employed 15.30% 15.30%

Note: The 2.95% includes both Social Security and Medicare. Social Security receives the lesser of the Medicare portion and the maximum amount shown below. The Medicare portion is 1.45% on all earnings. Also, individuals with earned income of more than $200,000 ($250,000 for married filing jointly) pay an additional 0.9% in Medicare taxes. The tax rates above do not include the extra 0.9%.

Maximum Taxable Earnings:
Social Security $118,800/yr. $127,200/yr.

Retirement Earnings Test Exempt Amounts:
For those under Full Retirement Age (FRA) $15,720/yr. $16,920/yr.
During the year of attaining FRA, the months prior to attaining FRA, one dollar in benefits will be withheld for every $2 in earnings higher than the limit above.

For the year an individual reaches FRA: $41,880/yr. $44,880/yr.

Maximum Social Security Benefit: Workers retiring at FRA $2,639/mo. $2,687/mo.

Supplemental Security Income Benefit differs from Social Security, please visit: www.ssa.gov/disabilityssi/ssi

The Cost of Living Adjustment (COLA) Social Security and Supplemental Income (SSI) beneficiaries will receive a 0.3% COLA for 2017.