



FINANCIAL Insights



Tax opportunities before year-end

Every year, U.S. taxpayers face a number of year-end deadlines which, if ignored, can be costly and even punitive. In the latter category, consider people over age 70 ½ who forget to take the full required minimum distribution from their IRA or 401(k). If they get the calculation wrong, or forget the distribution altogether before December 31, they face a 50% penalty on the amount they should have taken.

Here, a best practice is to sit down weeks before the deadline, and consider which parts of your portfolio you want to prune back, or what you would need to sell in order to rebalance your asset allocations back to their targeted percentages. If you don't need some or all of the distribution (which is not uncommon), you don't have to spend it; you can reinvest extra money in a taxable portfolio.

Of course, the tax year also ends December 31, which means if you have losses in your portfolio (and chances are, you do) you have to claim them before the end of the year. "Claiming," in this case, means selling for a loss, and buying a similar replacement asset in your portfolio. You book the losses and use them to offset an equivalent amount of capital gains or up to \$3,000 of ordinary income. If this is a low-income year, you might consider taking advantage of the 0% tax bracket

November

for long-term capital gains (below \$38,600 for single taxpayers or \$77,200 for joint filers) and harvest some gains from your portfolio. But remember, if you're looking to offset your harvested losses, many mutual funds will be distributing capital gains in December.

If you want to get a tax deduction for charitable contributions for 2018, then they need to be made before December 31. The challenge here is that the deduction is only available to people who itemize their deductions, and the new, higher standard deduction means that many people won't be itemizing. To get above the threshold, some people are bunching many years' worth of charitable contributions into a single year, making a donation to a donor-advised fund. This raises their total contribution amount in that year high enough so the donation becomes deductible again.

-Bob Veres

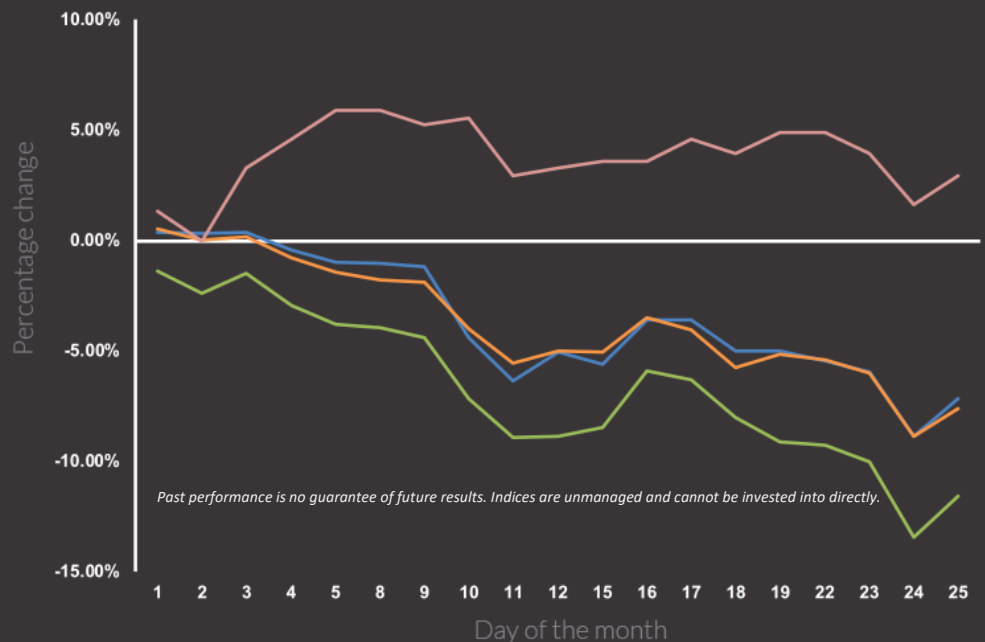
Source:

<https://www.morningstar.com/articles/891899/retirees-year-end-tax-planning-guide.html>

The market at a glance

October

 U.S. Large Cap (S&P 500)	2,711.74 (-6.94%) ▼
 U.S. Mid/Small (Russell 2000)	1,511.41 (-10.91%) ▼
 International Large (NYSE International 100)	5,211.56 (-6.72%) ▼
 U.S. Treasuries (U.S. 10-year Treasury yield rate)	3.15 (3.28%) ▲



The market in action

- Amazon announced that it is raising its minimum wage for all U.S. employees to \$15 per hour beginning in November. The change will benefit more than 250,000 total Amazon employees and will include holiday seasonal employees – of which there were over 120,000 last year.
- Shares of online payments company, PayPal, have soared 9 percent after the company beat earnings and revenue expectations. The company's popular peer-to-peer payment application, Venmo, grew total payment volumes by 78 percent in the third quarter.
- Toys 'R' Us lenders have canceled its bankruptcy auction and instead plan on reviving the toy retailer's brand, along with subsidiary Babies 'R' Us. Earlier this year, Toys 'R' Us was reportedly \$5 billion in debt before liquidating assets and closing hundreds of store locations.
- U.S. automaker, Ford, revealed it will be making layoffs as part of a \$25 billion reorganization plan that aims to cut overall costs. Ford CEO Jim Hackett said that President Trump's auto and metal tariffs have squandered nearly \$1 billion of the company's profits, while its stock has dropped 25 percent this year.

Tips to tackle your holiday shopping

With the holiday season fast approaching, many shoppers are wondering how they will navigate the chaotic shopping scene. November's Black Friday and Cyber Monday are by far the biggest shopping days of the year, bringing in \$7.9 billion and \$6.6 billion, respectively. The popularity of these shopping events continues to rise as 2017's Black Friday and Cyber Monday sales increased by 17 percent compared to the previous year.

With this increasing popularity, it is harder than ever to score the best possible savings. So, before you head out to tackle your holiday shopping, prepare yourself with these tips.

Define your limits

During the cheerful season, it can be easy to get caught up in the moment and overspend on additional gifts and impulse buys. Before setting out to shop, create an itemized list of the specific items you are looking for. This helps you stick to a spending limit and ensure no one's gift is forgotten in the madness.

Earlier than ever before

Black Friday is synonymous with lines that wrap around the store and bull rushes to get the hottest deals at midnight, but doors are

now opening earlier to avoid this. In 2017, many stores opened early on Thanksgiving evening around 6:00 PM and closed at midnight, before re-opening the next morning. To score the most popular door buster deals, you may need to hit the mall earlier than ever before.

If key items on your list are sold out by the time you arrive, look for Cyber Monday as a second chance to find gifts at a discounted price. Also, research for items that may receive a larger discount online than in stores.

Read the fine print

Though deals can be scored by shopping early for the holiday season, there is some risk to buying gifts this soon. Take a few minutes to research store return policies to avoid giving a gift that can't be returned or exchanged after a short period of time. On Cyber Monday, seek out sites that offer free return shipping for online purchases. Bigger items such as a TV may carry significant postage costs back to the retailer.

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