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LIFE THE WAY YOU PLANNED IT.

Playing Catch-Up with Your 401(k) or IRA



A recent survey of baby boomers (ages 53 to 69) found that just 24% were confident they would have enough money to last throughout retirement. Forty-five percent had no retirement savings at all, and of those who did

have savings, 42% had saved less than \$100,000.¹

Your own savings may be on more solid ground, but regardless of your current balance, it's smart to keep it growing. If you're 50 or older, you could benefit by making catch-up contributions to tax-advantaged retirement accounts. You might be surprised by how much your nest egg could grow late in your working career.

Contribution limits

The federal contribution limit in 2016 and 2017 for all IRAs combined is \$5,500, plus a \$1,000 catch-up contribution for those 50 and older, for a total of \$6,500. An extra \$1,000 might not seem like much, but it could make a big difference by the time you're ready to retire (see table). You have until the April 18, 2017, tax filing deadline to make IRA contributions for 2016. The sooner you contribute, the more time the funds will have to pursue potential growth.

The deferral limit in 2016 and 2017 for employer-sponsored retirement plans such as 401(k), 403(b), and most 457(b) plans is \$18,000, plus a \$6,000 catch-up contribution for workers 50 and older, for a total of \$24,000. However, some employer-sponsored plans may have maximums that are lower than the federal contribution limit. Unlike the case with IRAs, contributions to employer-sponsored plans must be made by the end of the calendar year, so be sure to adjust your contributions early enough in the year to take full advantage of the catch-up opportunity.

The following table shows the amount that a 50-year-old might accrue by age 65 or 70, based on making maximum annual contributions (at current rates) to an IRA or a 401(k) plan:

Potential Savings a 50-Year-Old Could Accumulate		Without Catch-Up	With Catch-Up
IRA	By Age 65	\$128,018	\$151,294
	By Age 70	\$202,321	\$239,106
401(k)	By Age 65	\$418,697	\$558,623
	By Age 70	\$662,141	\$882,854

Example assumes a 6% average annual return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.

Special 403(b) and 457(b) plan rules

403(b) and 457(b) plans can (but aren't required to) provide their own special catch-up opportunities. The 403(b) special rule, available to participants with at least 15 years of service, may permit an additional \$3,000 annual deferral for up to five years (certain additional limits apply). A participant can use this special rule and the age 50 catch-up rule in the same year. Therefore, a participant eligible for both could contribute up to \$27,000 to his or her 403(b) plan account (the \$18,000 regular deferral limit, plus the \$3,000 special catch-up, plus the \$6,000 age 50 catch-up).

The 457(b) plan special rule allows participants who have not deferred the maximum amount in prior years to contribute up to twice the normal deferral limit (that is, up to \$36,000 in 2016 and 2017) in the three years prior to reaching the plan's normal retirement age. (However, these additional catch-up contributions can't exceed the total of the prior years' unused deferrals.) 457(b) participants who elect to use this special catch-up rule cannot also use the age 50 catch-up rule in the same year.

¹ "Boomer Expectations for Retirement 2016," Insured Retirement Institute.

December, 2016

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The Giving Season: Six Tips for Making Smart and Effective Charitable Donations This Holiday Season



Many charitable organizations allow you to donate online, by text, or through social networking sites.

The following organizations and agencies publish reports and charity ratings, and/or give useful tips and information to consumers on how to donate and choose a charity:

- Better Business Bureau's BBB Wise Giving Alliance, bbb.org
- Charity Navigator, charitynavigator.org
- CharityWatch, charitywatch.org
- Federal Trade Commission, ftc.gov

The holidays are a popular time for charitable donations. With so many charities to choose from, it's more important than ever to ensure that your donation is well spent. Here are six tips that can help you make smart and effective charitable donations.

1. Choose your charities wisely

Choosing worthy organizations that support the causes you care about can be tricky, but it doesn't have to be time-consuming. There are several well-known organizations that rate and review charities, as well as provide useful tips and information on how to donate and choose a charity (see sidebar). To get started, here are some things to consider:

- *How the charity plans to use your gift.* Contact the charity by phone or go online to find information about the charity's mission, accomplishments, financial status, and future growth.
- *How much the charity spends on administrative costs.* If a charity has higher-than-average administrative costs, it may be spending less on programs and services than it should. This could also be a sign that the charity is in serious financial trouble. In addition, if a charity uses for-profit telemarketers, then it may get very little of the money it raises, so ask how much of your donation the charity will actually receive.
- *The legitimacy of the charity.* Take the time to check out the charity before you donate. Ask for identification when approached by a solicitor, and never give out your Social Security number, credit-card number, bank account number, account password, or personal information over the phone or in response to an email you didn't initiate.
- *How much you can afford to give to the charity.* Stick to your giving goals and only give what you can afford. Legitimate fundraisers will not try to pressure you and will be happy to send information that can help you make an informed decision regarding your donation.

2. Maximize your donation through a matching gift

If your employer offers a program that matches charitable gifts made by employees, you can maximize your charitable donations. Some matching gift programs may have specific guidelines — for example, they may only match a gift up to a certain dollar limit, and the charity may need to provide additional information.

3. Make automatic donations

If you're looking for an easy way to donate regularly to a favorite charity, consider making automatic donations from a financial account. Automatic donations can benefit charities by potentially lowering fundraising costs and by establishing a foundation of regular donors. You'll also benefit, since spreading your donations throughout the year may enable you to give more and simplify your record keeping.

4. Look for alternatives to cash donations

Although cash donations are always welcome, charities also encourage other types of gifts. For example, if you meet certain requirements, you may be able to give stock, direct gifts from your IRA, real estate, or personal property. Keep in mind that you'll want to check with your financial professional to assess potential income and estate tax consequences based on your individual circumstances. Other alternatives to cash donations include volunteering your time and using your talents to improve the lives of others in your community.

5. Consider estate planning strategies when gifting

Another option is to utilize estate planning to make a charitable gift. For example, you might leave a bequest in your will; give life insurance; or use a charitable gift annuity, charitable remainder annuity trust, or charitable unitrust that may help you give away the asset now, while retaining a lifetime interest. Check with your financial or tax professional regarding any potential estate or tax benefits or consequences before making this type of gift.

6. Remember the importance of record keeping

If you itemize when you file your taxes, you can deduct donations you've made to a tax-qualified charity — however, you must provide proper documentation of your donation to the IRS. Keep copies of cancelled checks, bank statements, credit-card statements, or receipts showing the charity's name, date of your donation, and contribution amount. For donations or contributions of \$250 or more, you'll need a detailed written acknowledgment from the charity. For more information and a list of specific record-keeping requirements, see IRS Publication 526, Charitable Contributions.



What It Means to Be a Financial Caregiver for Your Parents



A large majority of caregivers provide care for a relative (85%), with 49% caring for a parent or parent-in-law.

Source: Caregiving in the U.S. 2015, National Alliance for Caregiving

If you are the adult child of aging parents, you may find yourself in the position of someday having to assist them with handling their finances. Whether that time is in the near future or sometime further down the road, there are some steps you can take now to make the process a bit easier.

Mom and Dad, can we talk?

Your first step should be to get a handle on your parents' finances so you fully understand their current financial situation. The best time to do so is when your parents are relatively healthy and active. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis.

You can start by asking them some basic questions:

- What financial institutions hold their assets (e.g., bank, brokerage, and retirement accounts)?
- Do they work with any financial, legal, or tax advisors? If so, how often do they meet with them?
- Do they need help paying monthly bills or assistance reviewing items like credit-card statements, medical receipts, or property tax bills?

Make sure your parents have the necessary legal documents

In order to help your parents manage their finances in the future, you'll need the legal authority to do so. This requires a durable power of attorney, which is a legal document that allows a named individual (such as an adult child) to manage all aspects of a person's financial life if he or she becomes disabled or incompetent. A durable power of attorney will allow you to handle day-to-day finances for your parents, such as signing checks, paying bills, and making financial decisions for them.

In addition to a durable power of attorney, you'll want to make sure that your parents have an advance health-care directive, also known as a health-care power of attorney or health-care proxy. An advance health-care directive will allow you to make medical decisions according to their wishes (e.g., life-support measures and who will communicate with health-care professionals on their behalf).

You'll also want to find out if your parents have a will. If so, find out where it's located and who is named as personal representative or executor. If the will was drafted a long time ago, your parents may want to review it to make sure their current wishes are represented. You should also ask if they made any dispositions or

gifts of specific personal property (e.g., a family heirloom to be given to a specific individual).

Prepare a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record that lists information you might need in the event that your parents become incapacitated or die. Here's some information that should be included:

- **Financial information:** Bank, brokerage, and retirement accounts (including account numbers and online user names and passwords, if applicable); real estate holdings
- **Legal information:** Wills, durable powers of attorney, advance health-care directives
- **Medical information:** Health-care providers, medication, medical history
- **Insurance information:** Policy numbers, company names
- **Advisor information:** Names and phone numbers of any professional service providers
- **Location of other important records:** Social Security cards, home and vehicle records, outstanding loan documents, past tax returns
- **Funeral and burial plans:** Prepayment information, final wishes

If your parents keep some or all of these items in a safe-deposit box or home safe, make sure you can gain access. It's also a good idea to make copies of all the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

Don't be afraid to get support and ask for advice

If you're feeling overwhelmed with the task of handling your parents' finances, don't be afraid to seek out support and advice. A variety of local and national organizations are designed to assist caregivers. If your parents' needs are significant enough, you may want to consider hiring a geriatric care manager who can help you oversee your parents' care and direct you to the right community resources. Finally, consider discussing the specifics of your situation with a professional, such as an estate planning attorney, accountant, and/or financial advisor.



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How can technology help me manage my money?

It may seem that there's an app or software program for every purpose, and that includes managing your money. Here are some examples where technology may be useful in helping you get a handle on your money.

Creating a budget: There are multiple apps available that enable you to input your monthly income and expenses to generate a budget that fits your needs. Plus, some programs are able to categorize and track transactions, which could help you see exactly how much you spend in certain areas on a month-to-month basis.

Setting reminders: Do you occasionally forget to pay a particular bill? Or are you looking for a regular reminder to keep an eye on your account balances? Look for an app that lets you schedule reminders that suit your needs, whether it's an alarm that goes off for monthly bills or a service that automates payments you might otherwise forget to make.

Digitizing services: You're probably aware of your bank's direct-deposit services, but did you know that you can send payments, request

refunds, and view transaction history using your bank's mobile app? You can also find apps that feature calculators designed to help you make investment decisions, as well as determine your net worth, calculate the time value of your money, and estimate your insurance needs, among other things.

Shopping (and saving): Some apps are designed specifically to help you save money in a variety of ways, from searching for the best local deals to calculating the cost of driving from point A to point B. If you'd like to dial back your spending, look for an app that can help you cut costs. For example, apps can compare the cost of groceries at one store against another, or help you find the lowest gas prices in your area. That way, you can put the extra money you have from being a savvy shopper toward a long-term goal, such as retirement.

With some exploration, you may find additional money-related apps. But bear in mind that even though many apps and services promise security, technology isn't always reliable, and you could fall victim to hackers. Think carefully before you provide information pertaining to your bank account and income/spending history.



What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an

identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.



Preliminary Tax Forecast

Many of President-Elect Donald Trump's policy proposals are too vague to analyze, but one area where he has been clear is on reforming our tax system. Here's a quick primer on the changes that you can expect to be introduced to Congress in the coming year.

1) A shift from seven income tax brackets to three:

Current & Proposed Tax Rates For Married Filing Jointly

<u>Current</u>	<u>Proposed</u>
10% bracket: \$0 to \$18,550	12% bracket: \$0 to \$75,000
15% bracket: \$18,550 to \$75,300	25% bracket: \$75,001 to \$224,999
25% bracket: \$75,300 to \$151,900	33% bracket: \$225,000 or more
28% bracket: \$151,900 to \$231,450	
33% bracket: \$231,450 to \$413,350	
35% bracket: \$413,350 to \$466,950	
39.6% bracket: \$466,950 or more	

2) The 3.8% Affordable Care Act tax on the lesser of net investment income or the amount by which your AGI exceeds \$200,000 would also be eliminated.

3) In addition, President-Elect Trump has proposed increasing the standard deduction from \$12,600 to \$30,000 for joint filers (from \$6,300 to \$15,000 for singles), and capping itemized deductions at \$200,000 (joint) or \$100,000 (single). He has proposed eliminating the personal exemption, which phases out after a taxpayer's adjusted gross income hits \$259,400 (single) or \$311,300 (joint), and scrapping the alternative minimum tax altogether.

Who wins? Low-income taxpayers earning less than \$18,500 will move from a 10% to a 12% tax bracket, and some filing couples earning between \$225,000 and \$231,450 will move from the 25% to a 33% bracket. Most others would see their taxes reduced. Eliminating the 3.8% tax would provide tax relief for taxpayers above \$200,000.

Strategies? If you believe the first 100 days will involve the promised tax changes, and that rates will be lower next year than this, there are a variety of possible ways to take advantage. The simplest is to shift income from calendar 2016 into calendar 2017, and aggregate as many losses and deductions as you can into calendar 2016.

You might also find an IRA rollover into a Roth to be suddenly less advantageous. Why? If rates in the future are lower than rates today, it would be more expensive to pay ordinary income tax on the amount converted today than it would to pay taxes at the future lower rate. This is less certain, however, since there may be several different Presidential administrations (and changes in tax law) between now and when the money comes out of your retirement plan. A better strategy might be to wait and see if President Trump does give us lower tax rates, and then consider a Roth conversion during that window—especially if the tax giveaway looks like it might bust the federal budget, necessitating higher rates in the future.

Meanwhile, the Trump plan would repeal the estate tax altogether, but any capital gains above \$10 million would be taxed—that is, no step-up in basis, with exemptions for small businesses and family farms. People would no longer be allowed to deduct a charitable donation of the full market value of appreciated assets.

Who wins? The truth is that most estates aren't taxed under the currently generous estate tax exemption anyway, so for most people this won't have a big impact.

Strategies? For people who ARE looking at paying estate taxes someday, the best advice may be to wait and see. This provision, if enacted, could open a window for individuals to transfer their wealth to heirs tax-free before some future administration decides to reinstate estate taxes.

How likely are these things to happen? There's never any certainty that a wish list will make it, unscathed, through Congress, particularly a Republican Congress that has expressed concerns, in the past, about paying for any tax cuts they create. For many Americans, the next year or two will be a great time to consult with a tax professional.

Source:

- <https://www.nerdwallet.com/blog/taxes/trump-campaign-tax-plan/>



Roth Conversion and Mandatory Distributions

You probably know that the IRS requires you to start taking mandatory distributions from your IRA when you turn 70 1/2, even if you don't actually need the money. But can you do a Roth conversion at that late date, and thereby defer distributions forever?

The answer is that you CAN do a Roth conversion at any time, including after age 70 1/2. But that may not be ideal tax planning. Why? Because at the time of the conversion, you have to pay ordinary income taxes on the amount converted, paying Uncle Sam up-front for what you would owe on all future distributions. So, from a tax standpoint, you're either paying taxes on yearly distributions or all at once. (Or, if it's a partial conversion, on the amount transferred over.)

One traditional reason people made Roth conversions was to pay taxes at a lower rate today than the rate they expect to have to pay on distributions in the future. They might also want to convert in order to leave the Roth IRA dollars to heirs who might be in a higher tax bracket. But with the new Republican Administration taking over, and Republicans controlling both houses of Congress, tax rates will probably go down, not up, in the near future.

If you still want to go ahead and make a conversion after the mandatory distribution date, the law says that you have to take your mandatory withdrawal from your IRA before you do your conversion.

Source:

- <http://time.com/money/4568635/roth-ira-conversion-year-turn-70-%C2%BD/?xid=tcoshare>



Uber's Flying Vision

The future of personal transportation will be very different from the past. If you marry two clear trends—the advent of self-driving cars with increasingly popular Uber transportation—it's easy to envision a world where you can sell your car and convert the garage into a spare bedroom. Why would you need your own auto when you can call for an inexpensive, automated ride to anywhere and back? And as a bonus, you avoid parking hassles because you'll be driven right to the destination's doorstep.

Now let's marry one more technology to the mix and see what we come up with. An article in the Economist magazine says that Uber is exploring the use of drone technology. The company has released a white paper on a program called Elevate, which would involve a fleet of flying cars that could turn a 2-hour road trip into a 15 minute flight at 150 miles an hour. No traffic, and all trips would take the shortest possible distance. As a bonus, because there would be no driver and the trips would take less time, the actual cost would be lower than what you pay for a traditional Uber ride today.

The electrically-powered drones would be called VTOLs, or vertical take-off and landing vehicles look like modified helicopters. They would be stationed at "vertiports" when not in use, and periodically return to their port to make use of the charging station. Then you take a trip, you'll be delivered to small landing pads on rooftops or parking lots near your destination.

When will this happen? The white paper anticipates a 10-year period from today's planning to the launch in 2026. At that time, it might be possible for people in New York to grab lunch in Philadelphia or Washington, D.C., meanwhile reducing traffic for people who are determined to hang onto their cars.

Source:

- <http://www.economist.com/blogs/gulliver/2016/11/new-way-overtake?fsrc=scn/tw/te/bl/ed/aneuwaytoovertakeuberplansforthearrivalofflyingcars>



Retirement Contribution Limits Unchanged

In case you missed it, the contribution limits to your 401(k) plan, IRA and Roth IRA—set by the government each year based on the inflation rate—will not go up in 2017. Just like this year, you will be able to defer up to \$18,000 of your paycheck to your 401(k), and individuals over age 50 will still be able to make a “catch-up” contribution to their 401(k) of an additional \$6,000. (The same limits apply to 403(b) plans and the federal government’s new Thrift Savings Plan.)

Your IRA and Roth IRA contributions will continue to max out at \$5,500, plus a \$1,000 “catch-up” contribution for persons 50 or older. SEP IRA and Solo 401(k) contribution limits, meanwhile, will go up from \$53,000 this year to \$54,000 in 2017.

The government has made small changes to the income limits on who can make deductions to a Roth IRA and who can claim a deduction for their contribution to a traditional IRA. The phaseout schedule for single filers for 2016 starts at \$117,000 and contributions are entirely phased out at \$132,000; for joint filers the current range is \$186,000 to \$196,000.

In 2017, the single taxpayer phaseout will run \$1,000 higher, from \$118,000 to \$133,000, and the joint phaseout threshold will rise \$2,000, to \$188,000 up to \$198,000. Single persons who have a retirement plan at work will see the income at which they can no longer deduct their IRA contributions go up \$1,000 as well, with the phaseout starting at \$62,000 and ending at \$72,000. Couples will see their phaseout schedule rise to \$99,000 to \$119,000.

Source:

- <http://money.cnn.com/2016/10/27/retirement/401k-ira-contribution-2017/index.html?iid=Lead>
- <http://www.investopedia.com/articles/retirement/111516/2017-cola-adjustments-overview.asp?partner=mediafed>