



## Johnston Investment Counsel

Gregory A. Johnston, CFA, CFP, QPFC, AIF  
President & Chief Investment Officer  
2714 N. Knoxville  
Peoria, IL 61604  
309-674-3330  
gjohnston@jicinvest.com  
www.jicinvest.com

### January, 2019

Key Retirement and Tax Numbers for 2019

Four Tips for Planning a Career Change

What is individual crowdsourcing?

How can I tell if a crowdsourcing campaign is a scam?



Johnston Investment Counsel  
LIFE THE WAY YOU PLANNED IT.

# Johnston Investment Counsel

## *LIFE THE WAY YOU PLANNED IT.*

### Famous People Who Failed to Plan Properly



It's almost impossible to overstate the importance of taking the time to plan your estate. Nevertheless, it's surprising how many American adults haven't done so. You

might think that those who are rich and famous would be way ahead of the curve when it comes to planning their estates properly, considering the resources and lawyers presumably available to them. Yet there are plenty of celebrities and people of note who died with inadequate (or nonexistent) estate plans.

#### Most recently

The Queen of Soul, **Aretha Franklin**, died in 2018, leaving behind a score of wonderful music and countless memories. But it appears Ms. Franklin died without a will or estate plan in place. Her four sons filed documents in the Oakland County (Michigan) Probate Court listing themselves as interested parties, while Ms. Franklin's niece asked the court to appoint her as personal representative of the estate.

All of this information is available to the public. Her estate will be distributed according to the laws of her state of residence (Michigan). In addition, creditors will have a chance to make claims against her estate and may get paid before any of her heirs. And if she owned property in more than one state (according to public records, she did), then probate will likely have to be opened in each state where she owned property (called ancillary probate). The settling of her estate could drag on for years at a potentially high financial cost.

#### A few years ago

Prince Rogers Nelson, who was better known as **Prince**, died in 2016. He was 57 years old and still making incredible music and entertaining millions of fans throughout the world. The first filing in the Probate Court for Carver County, Minnesota, was by a woman claiming to be the sister of Prince, asking the court to appoint a special administrator because there was no will or other testamentary documents. As of November 2018, there have been hundreds of court filings

from prospective heirs, creditors, and other "interested parties." There will be no private administration of Prince's estate, as the entire ongoing proceeding is open and available to anyone for scrutiny.

#### A long time ago

Here are some other notable personalities who died many years ago without planning their estates.

**Pablo Picasso** died in 1973 at the ripe old age of 91, apparently leaving no will or other testamentary instructions. He left behind nearly 45,000 works of art, rights and licensing deals, real estate, and other assets. The division of his estate assets took six years and included seven heirs. The settlement among his nearest relatives cost an estimated \$30 million in legal fees and other related costs.

The administration of the estate of **Howard Hughes** made headlines for several years following his death in 1976. Along the way, bogus wills were offered; people claiming to be his wives came forward, as did countless alleged relatives. Three states — Nevada, California, and Texas — claimed to be responsible for the distribution of his estate. Ultimately, by 1983, his estimated \$2.5 billion estate was split among some 22 "relatives" and the Howard Hughes Medical Institute.

**Abraham Lincoln**, one of America's greatest presidents, was also a lawyer. Yet when he met his untimely and tragic death at the hands of John Wilkes Booth in 1865, he died intestate — without a will or other testamentary documents. On the day of his death, Lincoln's son, Robert, asked Supreme Court Justice David Davis to assist in handling his father's financial affairs. Davis ultimately was appointed as the administrator of Lincoln's estate. It took more than two years to settle his estate, which was divided between his surviving widow and two sons.

# Key Retirement and Tax Numbers for 2019



Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2019.

## Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$19,000 in compensation in 2019 (up from \$18,500 in 2018); employees age 50 and older can defer up to an additional \$6,000 in 2019 (the same as in 2018).
- Employees participating in a SIMPLE retirement plan can defer up to \$13,000 in 2019 (up from \$12,500 in 2018), and employees age 50 and older can defer up to an additional \$3,000 in 2019 (the same as in 2018).

## IRAs

The combined annual limit on contributions to traditional and Roth IRAs increased to \$6,000 in 2019 (up from \$5,500 in 2018), with individuals age 50 and older able to contribute an additional \$1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2018	2019
<b>Single/head of household (HOH)</b>	\$63,000 - \$73,000	\$64,000 - \$74,000
<b>Married filing jointly (MFJ)</b>	\$101,000 - \$121,000	\$103,000 - \$123,000
<b>Married filing separately (MFS)</b>	\$0 - \$10,000	\$0 - \$10,000

*Note: The 2019 phaseout range is \$193,000 - \$203,000 (up from \$189,000 - \$199,000 in 2018) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.*

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2018	2019
<b>Single/HOH</b>	\$120,000 - \$135,000	\$122,000 - \$137,000
<b>MFJ</b>	\$189,000 - \$199,000	\$193,000 - \$203,000
<b>MFS</b>	\$0 - \$10,000	\$0 - \$10,000

## Estate and gift tax

- The annual gift tax exclusion for 2019 is \$15,000, the same as in 2018.
- The gift and estate tax basic exclusion amount for 2019 is \$11,400,000, up from \$11,180,000 in 2018.

## Kiddie tax

Under the kiddie tax rules, unearned income above \$2,200 in 2019 (up from \$2,100 in 2018) is taxed using the trust and estate income tax brackets. The kiddie tax rules apply to: (1) those under age 18, (2) those age 18 whose earned income doesn't exceed one-half of their support, and (3) those ages 19 to 23 who are full-time students and whose earned income doesn't exceed one-half of their support.

## Standard deduction

	2018	2019
<b>Single</b>	\$12,000	\$12,200
<b>HOH</b>	\$18,000	\$18,350
<b>MFJ</b>	\$24,000	\$24,400
<b>MFS</b>	\$12,000	\$12,200

*Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2019 is \$1,650 (up from \$1,600 in 2018) for single/HOH or \$1,300 (the same as in 2018) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

## Alternative minimum tax (AMT)

	2018	2019
<b>Maximum AMT exemption amount</b>		
<b>Single/HOH</b>	\$70,300	\$71,700
<b>MFJ</b>	\$109,400	\$111,700
<b>MFS</b>	\$54,700	\$55,850
<b>Exemption phaseout threshold</b>		
<b>Single/HOH</b>	\$500,000	\$510,300
<b>MFJ</b>	\$1,000,000	\$1,020,600
<b>MFS</b>	\$500,000	\$510,300
<b>26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount</b>		
<b>MFS</b>	\$95,550	\$97,400
<b>All others</b>	\$191,100	\$194,800

\*Alternative minimum taxable income



## Four Tips for Planning a Career Change



*In January 2018, the median number of years that wage and salary workers had been with their current employer was 4.2 years.*

*Source: Employee Tenure Summary, U.S. Bureau of Labor Statistics (September 20, 2018), [bls.org](https://www.bls.org).*

Changing careers can be rewarding for many reasons, but career transitions don't always go smoothly. Your career shift may take longer than expected, or you may find yourself temporarily out of work if you need to go back to school or can't immediately find a job. Consider these four tips to help make the financial impact of the transition easier.

### 1. Do your homework

Before you quit your current job, make sure that you clearly understand the steps involved in a career move, including the financial and personal consequences. How long will it take you to transition from one career to the next? What are the job prospects in your new field? How will changing careers affect your income and expenses in the short and long term? Will you need additional education or training? Will your new career require more or fewer hours? Will you need to move to a different city or state? Is your spouse/partner on board?

You should also prepare a realistic budget and timeline for achieving your career goals. If you haven't already done so, build an emergency cash reserve that you can rely on, if necessary, during your career transition. It's also a good time to reduce outstanding debt by paying off credit cards and loans.

Assuming it's possible to do so, keep working in your current job while you're taking steps to prepare for your new career. Having a stable source of income and benefits can make the planning process much less stressful.

### 2. Protect your retirement savings

Many people tend to look at their retirement savings as an easy source of funds when confronted with new expenses or a temporary need for cash. But raiding your retirement savings, whether for the sake of convenience, to raise capital for a business you're starting, or to satisfy a short-term cash crunch, may substantially limit your options in the future. Although you may think you'll be able to make up the difference in your retirement account later — especially if your new career offers a higher salary — that may be easier said than done. In addition, you may owe income taxes and penalties for accessing your retirement funds early.

### 3. Consult others for advice

When planning a career move, consider talking to people who will understand some of the hurdles you'll face when changing professions

or shifting to a new industry or job. This may include a career counselor, a small-business representative, a graduate school professor, or an individual who currently holds a job in your desired field. A financial professional can also help you work through the economics of a career move and recommend steps to protect your finances.

### 4. Consider going back to school

You might be thinking about pursuing additional education in order to prepare for your new career. But before applying to graduate school, ask yourself whether your investment will be worthwhile. Will you be more marketable after earning your degree? Will you need to take out substantial loans?

In your search for tuition money, look first to your current employer. Some employers might cover the full cost of tuition, while others may cap reimbursement at a dollar amount. Generally, you'll be able to exclude up to \$5,250 of qualifying educational assistance benefits from your taxes.

In addition, it's likely that you'll have to satisfy other requirements set by your employer to be eligible for reimbursement benefits. These may include, and are not limited to:

- Discussing course of study with a manager or supervisor prior to enrolling (and receiving approval)
- Pursuing a degree or training that is job related
- Maintaining a minimum grade-point average
- Working a certain length of time for the company before taking advantage of the benefit
- Meeting eligibility requirements for regular benefits

Check with your human resources department to learn more about tuition reimbursement qualifications. Be sure to find out whether you can continue to work at your company while you attend school part-time.

Students attending graduate school on at least a half-time basis are eligible for Uncle Sam's three major student loans: the Stafford Loan, Perkins Loan, and graduate PLUS Loan. Also, at tax time, you might qualify for certain tax benefits, such as the Lifetime Learning credit. For more information, see IRS Publication 970, *Tax Benefits for Education*.



## Johnston Investment Counsel

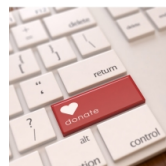
Gregory A. Johnston, CFA, CFP,  
QPFC, AIF  
President & Chief Investment  
Officer  
2714 N. Knoxville  
Peoria, IL 61604  
309-674-3330  
gjohnston@jicinvest.com  
www.jicinvest.com

### IMPORTANT DISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, legal, or retirement advice or recommendations. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable — we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.



## What is individual crowdsourcing?

Individual crowdsourcing (also known as personal crowdsourcing) refers to a process of raising money for a personal cause or project using an online platform such as GoFundMe. But how exactly does the process work? Here are some answers to common questions about individual crowdsourcing.

**What causes can be supported via individual crowdsourcing?** Individual crowdsourcing can help raise funds for a number of different causes. Some examples of individual crowdsourcing campaigns include fundraising for medical expenses, weddings, funerals, nonprofit organizations, creative projects, and more. The variety of causes that individual crowdsourcing can support is virtually endless, though some crowdsourcing platforms may restrict the types of campaigns they will allow.

**How is an individual crowdsourcing campaign created?** A creator posts a description of the cause he or she wants to support on a crowdsourcing platform and has the option to include photos and/or videos. The creator will also post a fundraising goal and an

end date for the campaign, if applicable. From there, the campaign creator controls the fundraising strategy, which typically involves sharing the campaign across different social media platforms and via email. If promoted effectively, campaigns have the potential to go viral and raise funds quickly.

**What are the benefits of individual crowdsourcing?** Individual crowdsourcing campaigns are easy to set up, convenient, and digital, making this type of fundraising accessible to more people. Most crowdsourcing platforms allow donors to choose the amount of money they'd like to donate to a campaign, which gives potential donors the freedom to contribute as much (or as little) to a cause as they see fit. Nonprofit organizations in particular can benefit from individual crowdsourcing efforts because the organizations can receive donations without needing to put in extra time or resources.

You can learn more about individual crowdsourcing by researching different platforms and campaigns online.



## How can I tell if a crowdsourcing campaign is a scam?

Crowdsourcing can be an effective way to raise funds for a variety of causes, but it's also a great opportunity for scam artists to take advantage of your goodwill. Before you donate to a crowdsourcing campaign, help protect yourself from being scammed by following these tips.

**Check the campaign creator's credibility.** If you don't personally know the campaign creator, it might be worth your time to review his or her social media profiles. This should be easy to do, since most crowdsourcing platforms link social media accounts to campaigns. When you visit a profile, look for red flags. Does the profile seem new? Does the campaign creator have friends or followers listed on the profile? Does the campaign creator have just one social media account? Does the profile seem active or old/unused? Answering "yes" to any of these questions should cause you to question the legitimacy of a crowdsourcing campaign.

**Research the crowdsourcing platform.** Many different crowdsourcing platforms exist, from the well established to the startups with no

track record. Review a platform's terms and policies before you donate to one of its crowdsourcing campaigns. Find out how long it's been in business and whether it evaluates or checks out campaign creators. Determine whether the platform will refund money or take responsibility for a crowdsourcing campaign scam. Remember to look for the secure lock symbol and the letters *https*: in the address bar of your Internet browser — this indicates that you're navigating to a legitimate web address.

**Consider the timing of the campaign.** Be wary of campaigns that are created after national disasters. It's unfortunate, but scam artists often exploit tragedies to appeal to your sense of generosity. In the case of disaster relief, bear in mind that it's probably safer to donate money to established nonprofit organizations with proven track records than to a crowdsourcing campaign.

If you've been defrauded or suspect fraudulent activity, report your experience to the crowdsourcing platform. You can also file a complaint with the Federal Trade Commission (FTC).



Johnston Investment Counsel  
LIFE THE WAY YOU PLANNED IT.



---

## Have Economic Benefits Reached Everyone?

---

America seems to be at near peak prosperity, as the stock market has boomed (until recently) for the last 10 years and the previous recession occurred over 10 years ago. The unemployment rate is near a historic low. While there are disagreements about which President is responsible for this wonderful news, most Americans are well-off. Right?

Apparently not. The nonprofit Center for Financial Services Innovation polled more than 5,000 Americans and concluded that, in the middle of this unprecedented financial prosperity, only 28% of Americans could be considered "financially healthy". Their measure of financial health is calculated by analyzing spending, saving, credit and other indicators. It's described as not having an unhealthy amount of debt, an intermittent income and sporadic savings habits.

The poll found that 17% of Americans are "financially vulnerable," meaning they struggle with nearly all aspects of their financial lives. Some 44% of respondents reported their expenditures had exceeded their earnings in the last year, plus they needed to utilize credit to make ends meet. Another 42% reported having no retirement savings.

Other research supports these observations. The website bankrate.com includes a report saying that just 29% of Americans have six months or more of emergency savings, and about the same amount say they have no emergency savings. Data from the Federal Reserve and the Federal Deposit Insurance Corp suggests that the median American family has just \$11,700 in savings.



## Delaying Marriage

---

While no one seems to have a good explanation, American adults are increasingly delaying marriage. Based on the latest population survey by the U.S. Census bureau, the median age at first marriage in the U.S. is almost 30. (29.8 for men and 27.8 for women). For reference, in 2003, the median first marriage age was 27.1 and 25.3 for men and women, respectively.

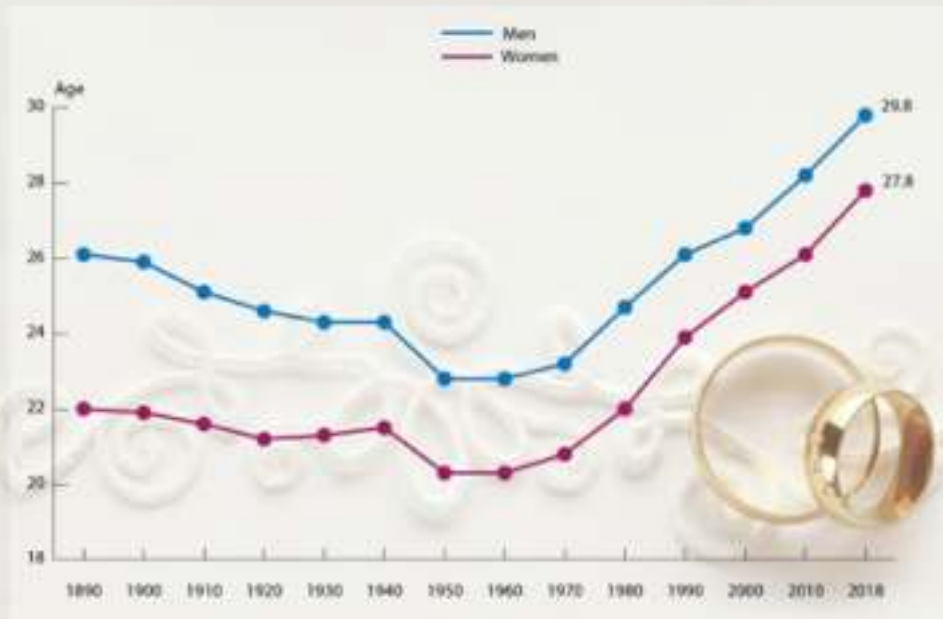
Today, just 29% of adults age 18-34 are married, compared to 59% in 1978. Cohabitation with an unmarried partner among persons age 18 to 24, is now more prevalent than living with a spouse (9% compared to 7%). Meanwhile, a whopping 54% of young adults age 18-24 still live in their parents' home.

Overall, the number of single-person households has significantly increased. In 2018, single-person households represented 28% of the total, compared with 13% in 1960.

You can see from the graphic on the next page that there has been a rather sharp trend toward marrying later in life, starting around 1970, and there is no obvious sign that the trend will level off or reverse itself. In fact, if current trends hold the median age could be approaching 35 in another 20 years.

# People are Waiting to Get Married

Median Age at First Marriage: 1890 to Present



United States<sup>®</sup>  
**Census**  
Bureau

U.S. Department of Commerce  
Economic and Statistics Administration  
U.S. CENSUS BUREAU  
census.gov

Source: 1890 to 1940: Decennial Census and 1950 to 2018:  
Current Population Survey, Annual Social  
and Economic Supplements  
[www.census.gov/past/data/cens/decennial.html](http://www.census.gov/past/data/cens/decennial.html) and  
[www.census.gov/topics/families.html](http://www.census.gov/topics/families.html)



## New Benefit and Investment Thresholds

---

Each year, the U.S. government changes a variety of thresholds impacting benefits and investment contributions. These increases are usually tied to the inflation rate. For the past ten years, since inflation has been pretty low, most of the increases have been modest.

Below is a summary of the 2019 levels.

The contribution limit for IRA accounts has increased from \$5,500 to \$6,000. Remember, if you are over 50 you can make a catch-up contribution of \$1,000.

Contributions to a traditional IRA may be tax deductible but the deductibility is specific to your situation. For example, if you do not have a retirement plan at work, contributions could be deductible depending on a combination of filing status, income level, and whether a spouse has a retirement plan at work. Tax simplification at its finest.

If you do contribute to a retirement plan at work, then IRA deductibility begins to be phased out starting at modified adjusted gross income of \$64,000 (single) or \$103,000 (married, filing jointly).

Roth IRA contributions are also currently capped at \$6,000. However, your ability to contribute phases out completely at \$137,000 of income (single) or \$203,000 (married filing jointly).

The limit for 401(k) or 403(b) contributions will rise from \$18,500 to \$19,000 -- and employees 50 and older will continue to be able to contribute an additional \$6,000 as a 'catch-up' provision. The overall limit for the total amount that can be contributed to defined-contribution plans increased from \$55,000 to \$56,000.

Social Security beneficiaries will receive their biggest cost of living adjustment in seven years -- up 2.8% from last year's benefits. In 2019, a retired worker reaching full retirement age would get a maximum of \$2,861 per month--an increase of \$73 a month, or \$876 annually. On average, Social Security beneficiaries will receive an extra \$39 per month.

The age that Social Security defines as "full retirement age" will also increase by two months, to 66 years and six months for people that turn 62 in 2019. The full retirement age increases in 2-month increments during the next two years until it reaches age 67 for everyone born in 1960 or later.



People paying into the Social Security system will also see an adjustment. Next year, earned income up to \$132,900 (up from \$128,400) will be subject to the 6.2% Social Security payroll tax. Income above this amount is exempted from Social Security's payroll tax.