SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
1st Quarter – 2015

Important Information

We want to wish everyone a happy and healthy 2015! What another incredible year. There were certainly a lot of negative headlines and news events in 2014, but all in all, it turned out to be another pretty good year for the US economy and we seemed to make it through the mid-term elections without quite as much negativity as in years past.

The updated retirement plan limits for 2015 were recently released and they are as follows:
* Annual deferral limits to 401k, 403b, and 457 plans have been increased from $17,500 to $18,000 and the catch-up contribution has increased for those 50 and older from $5,500 to $6,000.
* Annual defined contribution limit has increased from $52,000 to $53,000.
* IRA contribution limits have remained the same - $5,500 regular contribution and $1,000 catch-up contribution for those 50 and older.
* Simple IRA contribution limits have been increased from $12,000 to $12,500 and the catch-up contribution has increased for those 50 and older from $2,500 to $3,000.

Tax Changes for 2015!

As we get into 2015, we want to share with you some of the tax law changes for this year. Some of these changes go relatively unnoticed, while others are mentioned more frequently in the news media. Hopefully this information will benefit you in some way.

The standard tax deductions for 2015 increase a bit.

- Married couples get $12,600. If one spouse is age 65 or older the deduction is $13,850. If both are 65 or older, the deduction is $15,100. Singles can claim $6,300, or $7,850 if they're 65. Heads of household get $9,250, plus $1,550 more once they reach age 65. Those who are blind receive $1,250 more ($1,550 if unmarried and not a surviving spouse).

High-income earners lose their itemized deductions above a higher level this year.

- Their write-offs are reduced by 3% of the excess of AGI over $258,250 for singles. The threshold is $284,050 for heads of household and $309,900 for married couples; however, the total reduction can't exceed 80% of itemizations. Medical, investment interest, casualty losses and gambling losses (to the extent of winnings) are exempt from this cutback.

Personal exemptions increase.

- Increasing to $4,000 for filers and their dependents; however, this tax break is phased out for upper-income earners. It is trimmed by 2% for each $2,500 of AGI over the same thresholds for the itemized deduction phase-out.

The 20% top rate on dividends and long-term gains starts at a higher level in 2015.

- Single filers with taxable income above $413,200, heads of household over $439,000 and joint filers above $464,850. The 3.8% Medicare surtax boosts the rate to 23.8%.
- The regular 15% maximum rate applies for filers with incomes below these amounts, except that filers in the 10% or 15% income tax bracket still get the special 0% rate.

The Social Security wage base increases.

- This year the social security wage base increases to $118,500, up $1,500 from the cap for 2014.
- The tax rate imposed on employers and employees remains 6.2%, and the employer's share of Medicare tax stays at 1.45% of all pay. The employee's share is 1.45%, but the 0.9% Medicare surtax kicks in for singles with wages exceeding $200,000 and couples earning over $250,000. The surtax doesn't affect the employer's share. Self-employed individuals are also subject to the surtax.

Social Security benefits rise.

- Benefits will rise 1.7% in 2015, due to low inflation.
- The earnings limits are heading up, too. People who turn 66 this year do not lose any benefits if they make $41,880 or less before they reach that age. Individuals between ages 62 and 66 by the end of 2015 can make up to $15,720 before they lose any benefits. There's no earnings cap once a beneficiary turns 66.

The basic Medicare Part B premium.

- Basic Medicare Part B premiums remain $104.90 per month in 2015. But upper-income seniors still have to pay higher Part B and D premiums if their modified adjusted gross income for 2013 exceeded $170,000 for couples or $85,000 for single people. The 2015 Part B surcharge doesn't change, while the Part D add-on rises slightly. The total surcharges on upper-incomers can be as large as $301.60 a month.

The annual caps on deductible contributions to HSAs inch up this year.

- The ceilings rise slightly to $6,650 for account owners with family coverage and to $3,350 for self-only coverage. Those born before 1961 can put in $1,000 more. The limits on out-of-pocket costs, such as deductibles and copayments, will increase to $12,900 for people with family coverage and to $6,450 for individual coverage. Minimum policy deductibles increase to $2,600 for families and $1,300 for singles.

The limits on deducting long-term-care premiums are a little higher.

- Taxpayers who are age 71 or older can write off as much as $4,750 per person. Filers age 61 to 70 can deduct $3,800. Those who are 51 to 60 can deduct up to $1,430. Individuals age 41 to 50 can deduct $710 and people age 40 and younger can deduct $380.

The estate and gift tax exemption for 2015 jumps to $5,430,000. The rate remains 40%. The gift tax exclusion stays the same at $14,000 per donee.

Wow, that is a lot of changes. Believe it or not, these are only some of the changes for 2015! So, what should you do now? We always preach how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Financial Tip of the Month

Don't make these 401(k) mistakes

In retirement seminars across the country, attendees are often advised to think of retirement income as a three-legged stool: social security, traditional company pension, and 401(k) plan. Over the years, the pension leg of that stool has been getting wobbly. In an effort to avoid long-term liabilities in today's competitive environment, fewer companies are offering traditional pensions (also known as defined benefit plans). As a result, responsibility for retirement planning has increasingly fallen on employees.

All this makes 401(k) planning more important than ever. It can be easy to make 401(k) mistakes so we want to be sure you steer clear of these 401(k) blunders:

- **Failure to contribute.** According to recent reports by the Department of Labor, in the United States there are over 638,000 defined contribution retirement plans. More than 80% of full-time American employees at large companies have access to, and participate in, such plans. That's the good news. The bad news? Upwards of 10% of employees at those companies don't participate. If you're not taking full advantage of your firm's 401(k) — or equivalent defined contribution plan — don't wait. The retirement clock is ticking.

- **Not saving enough.** First of all, take full advantage of any company match that's offered. Say your firm offers to match 50¢ for every dollar you contribute up to a maximum of 8% of your income. That's a whopping 50% return on your contributions. Try to beat that in the stock market! And don't stop there. Depending on your age, you'll want to set a goal of contributing at least 10% of your income to your retirement savings, more if you're closing in on retirement and haven't accumulated a substantial balance.

- **Failure to allocate.** Contributions should be spread out or allocated among conservative and more aggressive (and, therefore, riskier) investments. That way your nest egg will have a better chance of weathering the inevitable ups and downs of the market. In general, the closer you are to retirement, the more conservative your investment mix should be.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning may be the only way to find the right answers for your situation. As with any financial issues, make sure you get the right information before making a decision. If you have any questions, we'll be glad to help you!

Client Quiz

1st Quarter Quiz Question and Answer

Question: How many IRA to IRA rollovers are permitted during a 365-day period from any of your IRAs? (Hint – this is the same question from the 2014 3rd quarter newsletter. It is so important, we thought we would ask it again.)

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office

or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Answer: Starting January 1, 2015, only one IRA to IRA rollover will be permitted during a 365-day period from any of one's IRA accounts. Previously, if an individual had more than one IRA, the rollover rule applied separately to each IRA. Most of the time, it will make sense to do a trustee-to-trustee transfer of IRA accounts, and there are still no limits on how many of those can be done in a 365-day period.

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