

TAXES—A CERTAINTY IN LIFE

Although tax season is still months away, tax management should be focused on in the fall, especially for high-income earners facing the 3.8% net-investment tax, AMT, and other taxes. The following are some suggestions to review:

- **Limit exposure to 3.8% Medicare surcharge tax.** If you have exposure to this tax it is important to review the tax efficiency of the portfolio holdings. Landmark focuses on moving less efficient investments into tax-deferred accounts, and capitalizing on tax loss harvesting. In addition, using municipal bonds can avoid the surtax. If you have real estate, consider an installment sale to spread out a large gain or a like-kind exchange to defer the gain.
- **Contribute to retirement vehicles.** This is one of the best strategies to reduce a tax bill. You need to make sure that you contribute the maximum to a retirement plan and even look at a maximum non-deductible IRA contribution (Back Door Roth IRA may be an option) as well. Deferred compensation plans should be reviewed if available to you, as your tax bracket is likely lower in retirement than during peak earning years.
- **Utilize health care accounts such as HSAs or FSAs.** It pays big dividends to pay for health care costs with pre-tax funds.
- **Utilize the 0% long-term capital gains.** If your taxable income is in the 10% or 15% tax bracket without long-term gains, then long term gains are tax-free until the gains push you into the 25% tax bracket. However, taking more gains raises AGI, which can cause more of your Social Security benefits to be taxable.
- **Donate to charity effectively.** You can turbo-charge donations to charity by giving away appreciated assets, such as stock, which have been held for over one year. The appreciation escapes capital gains tax and the taxpayer gets a deduction for the full value. With any gifts of assets, make sure they get appraised by a qualified expert or the deduction may not be allowed.



We believe the more you save in taxes, the more you will have to invest and to grow your wealth. Understanding tax laws is never easy, but we are here to help you with this process. In addition, we encourage you to reach out and include your tax professional in these discussions.

MILTON
FRIEDMAN

Inflation is the one form
of taxation that can be
imposed without legislation.

I am proud to be paying taxes
in the United States. The only
thing is—I could be just as
proud for half the money.

ARTHUR
GODFREY

WILL INTEREST RATES EVER GO BACK UP?

Currently more than half of the world's developed and emerging economies are experiencing below trend growth. Leading indicators are showing that few countries expect a favorable turning point in the coming months. It's hard to believe that below average growth will set off inflation.

Although everyone is worried about the Fed raising rates most people forget that the Fed holds \$4.2 trillion of securities. They will need to shrink the balance sheet at some time in the future. All of this leads to a very fragile environment, which could keep yields low for a long time.

In our opinion, the burden and magnitude of accumulated debt around the world is weighing on demand. Central governments are scared of going backward into a recession and will err on the side of inflation vs. a bad economy.

The final point is this—the inflation we are seeing in the US is in rising housing rents and health care costs. This type of inflation, with low wage increases, acts more like a tax which can also put a lid on this economy breaking out.

We expect more of the same. Low rates are here to stay for awhile.

LANDMARK FINANCIAL ADVISORS WEIGHTINGS AGAINST THE FTSE GLOBAL ALL CAP INDEX AND S&P 500

