VINTAGE FINANCIAL SERVICES, LLC

On the MONEY

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From the Grapevine...

We're excited to announce that Jack McCloskey has become a partner in Vintage! Jack, who has been our COO for the past few years, joined us ten years ago and recently bought a stake in the firm with a well-earned bonus.

Congratulations to Doug Watts, who joined us as a financial planner this year, for passing the tough Certified Financial Planner Board exam. Doug will add the CFP® designation to his ChFC designation, another similar credential. For more on Doug, see the article on page three.

Set Carpintero, CFP®, EA, another one of our advisors, is participating in Leadership Ann Arbor, a program sponsored by the Ann Arbor Area Chamber of Commerce. Set will join other community leaders to learn more about the community including areas like health care, law enforcement, education and more.

REFLECTIONS AT 70

Should I get up to work out at 5:30 because I know I have no time the rest of the day for exercise? Should I buy that new car even though it will cut into my savings? Should I order the burger and fries or the salad?

Well, what will my 70-year-old self wish I did? Michelle Schrag, one of our staff who is a long way from 70, has had this mindset for her entire life.

These decisions can be as simple as the ones stated above, or they can be as big as relationship decisions, big purchases, and pivotal conversations.

This way of thinking brings a thought process that makes answers logical, but not always easy. It also doesn't mean that when you make a thoughtful choice, you will get the outcome you expected. Sometimes the hardest things we go through are what bring us the most depth, the most connection and the most growth.

This year has been full of new decisions that we have had to make as a human race. Some of these decisions have been easy and some have been very difficult.

At Vintage we can't help you answer most of life's tough questions, but we can help you with the financial ones. Feel free to contact us to help you balance today's wants with your 70-year-old needs.

MUTUAL FUND TAXES

Mutual funds have been a preferred investment vehicle for investors for decades. They offer diversification, professional management, low costs, and a huge variety of funds that invest in most asset classes. And they offer tax benefits as well. But the taxes, especially on stock funds, can be confusing.

Unlike a bank account, where all your earnings are taxed each year at income tax rates, stock mutual funds can offer some tax deferral as well as gains that are taxed at lower dividend and capital gain tax rates. The tax law requires stock dividends that the fund portfolio receives to be passed along to the mutual fund shareholders. Many investors will reinvest the dividends, but if the fund is held in a taxable account (vs. tax deferred IRA or 401(k)), then the dividends are taxed each year whether reinvested or taken in cash. These will be reported on the brokerage account 1099 forms that usually arrive in February.

If you buy an individual stock, you'll also pay taxes on the dividends each year but won't pay capital gains taxes on the stock price appreciation until you sell it (assuming you have a gain). Once you realize the gain, it may be taxed at either short-term or long-term capital gains tax rates. For a stock sold within a year, you'd pay short-term capital gains rates which are the same as on your wages, interest, or other ordinary income. For holding periods of at least a year, your gain can be taxed at the lower long term capital gain tax rates in the chart to the right. Note that taxpayers that are married filing jointly have a 0% rate up to $80,800 in taxable income!

Stock mutual funds may buy and sell stocks throughout a calendar year. The tax law requires them to pay out the net capital gains to mutual fund shareholders who then may owe taxes on the gains. These capital gain distributions are typically paid around the end of the year and can vary dramatically from one year to the next depending upon which stocks the fund sold. This can often make investors a little crazy because the taxable gains may be completely unrelated to the fund's investment gains for the year.

For instance, say a stock fund owned stocks that appreciated 20% in a given year. The fund price may have risen from $10 to $12 a share reflecting that. If the fund doesn't sell any stocks, then the gain goes untaxed that year. The following year the stock market may have a bad year and the fund may sell some stocks. The fund share price may decline with the stock market, resulting in a negative return for the year, but the capital gains on stocks sold would still be distributed to shareholders and subject to tax.

If you have a large portfolio of stock funds, it's important to watch for these to ensure that you pay the taxes due in a timely manner in order to avoid penalties. At Vintage, we review the estimated capital gain distributions for our clients and alert them if the gains will be significant so that they can increase their fourth quarter tax estimates due by mid-January. We also review their overall portfolio to determine if there may be strategies to offset the capital gains by taking tax losses on some positions.

Today's capital gain tax rates are historically very low so, in many cases, it may be better to pay low tax rates today rather than gamble on what the future, potentially higher, rates may be.

Filing Status	0% Rate	15% Rate	20% Rate
Single	$0-40,400	$40,401 - $445,850	>$445,850
MF Joint	$0-80,800	$80,801 - $501,600	>$501,600

SPECIAL NEEDS PLANNING

Special-needs planning involves the development of a financial plan to provide for the unique needs of a family member with a physical or mental disability. In these scenarios, the guardian of a person with special needs is planning for when they will no longer be able to act as the primary caregiver. Planning can make a huge difference in the life of a person with special needs, as well as those who are left with the responsibility to care for a disabled family member.

There are many considerations that need to be made when planning financially for a family member with a physical or developmental disability. Because of this, it is important to start special-needs planning as early as possible.

In most states, including Michigan, legal adulthood begins at age 18. At this point, unless they have taken prior action, parents may no longer have access to their child's health, educational, legal or financial records. Establishing a power of attorney, healthcare proxy and guardianship for your special-needs family member would mitigate this issue. Additionally, individuals with qualifying disabilities generally become eligible for Supplemental Security Income (SSI) at the age of 18. Benefits, such as Social Security Disability Insurance (SSDI) and Medicare, may also be available if they are unable to work due to a disability.

One popular tool used in special-needs planning is a special-needs trust. A special-needs trust allows a beneficiary with special needs to use the property held in the trust for their benefit, while still allowing the beneficiary to qualify for needs-based government benefits. The assets held in the trust do not count for purposes of qualifying for public assistance, such as Social Security, Supplemental Security Income, Medicare or Medicaid.

Special-needs trusts give the party creating the trust peace of mind that the proceeds are going toward their intended purpose, while also providing asset protection from creditors. In addition, special-needs trusts can address issues of guardianship. These trusts are irrevocable and must be established before the beneficiary turns 65.

It may seem overwhelming to begin the process of special-needs planning. However, it is a complex area that needs specialists to structure things properly. Feel free to contact us for a referral to attorneys that specialize in this important area.

WELCOME DOUG WATTS

We're pleased to announce that Doug Watts has joined us as a financial planner. Doug has a few years' experience as a financial advisor, most recently with Merrill Lynch. He is a Chartered Financial Consultant, or ChFC, a designation similar to the Certified Financial Planner (CFP®) designation. He recently passed the CFP Board exam and should receive the CFP® designation by the time you read this.

Doug graduated from the University of Pennsylvania with a BA in Philosophy, Politics, and Economics. He is currently serving on the Leadership Giving Association Committee for the United Way of Washtenaw County, the board of Building Matters in Ann Arbor, and is a member of the Washtenaw Estate Planning Council.

In addition to his career in financial services, Doug is a husband, aspiring stoic, movie buff, and a bit of a traveler. For more details on Doug and the Vintage team, see www.vintagefs.com/team.

VINTAGE FINANCIAL SERVICES OFFERS

Fee only investment management, financial planning,
and tax preparation.
Minimum portfolio $500,000
(401(k) balance may count toward minimum).

For a no charge, no obligation initial interview please call our office at (734) 668-4040 or (800) 666-9237 or e-mail:
Succeed@VintageFS.com
Or visit our website at www.VintageFS.com

- Retirement Planning
- Tax Planning
- Investment Management
- Estate Planning
- Insurance Review
- Education Funding
- Income Tax Preparation

Plan to succeed.

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