[VINTAGE] FINANCIAL SERVICES, LLC

On the [MONEY]

Registered Investment Advisor | www.VintageFS.com | Winter 2016/17 Vol. XXXII No. IV

From the Grapevine...

Vintage continues to grow at a nice pace. We like to plan well ahead for future growth and we're already interviewing for another financial planner to come on board in the second quarter of 2017. Once again, we're looking coast-to-coast for the best college graduates of financial planning or similar programs. If you know someone that's interested in entering our profession, please have them check out our website for more information.

This winter we'll hold another event at the Ann Arbor Art Center. Save the evening of Thursday, March 2nd for art, appetizers, drinks and the company of many of the great clients with whom we get to work.

Congratulations to John Owens, our new financial planner, who passed the rigorous Certified Financial Planner board exam in November. John now just needs to fulfill the experience requirement to become a Certified Financial Planner professional (CFP®). That should occur in 2018.

MEDICARE'S HIDDEN TAX

Seniors that reach age 65 and become eligible for Medicare are often relieved to be done with high cost health insurance premiums. They may look forward to receiving the benefits that they've paid for through their payroll taxes over the prior 40-50 years. Yet new health care taxes and higher premiums continue to take a toll on senior's finances.

One such "tax" often hits high income seniors by surprise. For most new retirees, the cost of their Part B medical insurance premiums will be $134 per month in 2017 and is deducted from Social Security checks. If you had a high income in 2015, though, your premium could be as high as $428.60 per month—per person! For a couple, that can top $10,000 per year.

The 2017 "tax" is based on your tax return, typically filed in 2016 for the 2015 tax year. This lag is often what surprises seniors as they may have sold some property or had other big gains such as bonuses, deferred comp, or accumulated vacation pay that caused their income to surge. That one year of gains could come back to result in over $7,000 in higher Medicare premiums after retirement when incomes typically are lower. These higher monthly premiums start at $187.50 per person if your 2015 income topped $170,000 joint or $85,000 single and climb to the $428.60 figure for joint incomes over $428,000. It's another reason to get some good tax counsel as you prepare for retirement.

TAX PLANNING UNDER TRUMP

In January, we'll have a new Republican president along with a Republican controlled House and Senate. It's too early to know what may happen to income and estate taxes next year, but Mr. Trump outlined his plans during the campaign.

For income taxes, he proposed reducing the current seven tax brackets to just three. Married filers with income up to $75,000 would be subject to a 12% federal tax rate. Incomes from $75,000 to $225,000 would be taxed at 25%, and over $225,000 would be hit at 33%. The top income tax rate would fall from today's top rate of 39.6%.

TAX PLANNING IDEA: *If your tax bracket may drop from 15% to 12% or 39.6% to 33% next year, then it makes sense to try to defer income from 2016 to 2017, if possible.*

In addition, his plan called for increasing the standard deduction for joint filers from $12,600 to $30,000. Offsetting this benefit, personal and head of household exemptions, now $4,050, would be eliminated.

TAX PLANNING IDEA: *Pay deductible expenses such as winter property taxes and fourth quarter state income taxes by December 31st. Many joint filers may be able to itemize this year, but not next. Also consider moving up next year's charitable contributions into 2016. Higher income tax rates make the deductions more valuable this year and we don't know if charitable contributions would be deductible for filers that don't itemize.*

Trump has also proposed capping itemized deductions at $200,000 for joint filers and $100,000 for single filers. Few people have deductions that high, but if these limits include charitable giving, expect the non-profit sector to scream.

TAX PLANNING IDEA: *If you are contemplating large charitable gifts that would put you over the proposed caps, consider moving them into 2016.*

Trump has campaigned on repealing Obamacare including the 3.8% tax on investment income that helps fund it.

TAX PLANNING IDEA: *Try to postpone capital gains and other investment income into 2017.*

The estate tax currently applies to estates valued at over $5,450,000 per person. Trump's plan would repeal the estate tax on those few who die with more than that. However, currently upon a death, the decedent's assets receive a step-up in cost basis so that capital gain taxes are avoided. Trump's plan would repeal this and subject capital gains in excess of $10 million to taxes. Further, contributing appreciated assets to a private charity set up by the decedent or their family would not be allowed.

TAX PLANNING IDEA: *If you're fortunate enough to own over $10 million in low cost basis property (maybe a large farm or valuable business) you'll want to consider the potential tax impact now.*

The Trump plan would also eliminate the dreaded Alternative Minimum Tax, provide a deduction for child care and eldercare costs, and reduce business taxes.

Of course, no one knows what tax law changes, if any, may end up happening in the New Year. Many of these tax planning ideas will work well even if there are no changes. If you're one of our clients, we've already taken these ideas into account and applied them to your portfolio.

If you're not one of our clients, see more about what you're missing at our newly renovated website at: www.vintagefs.com.

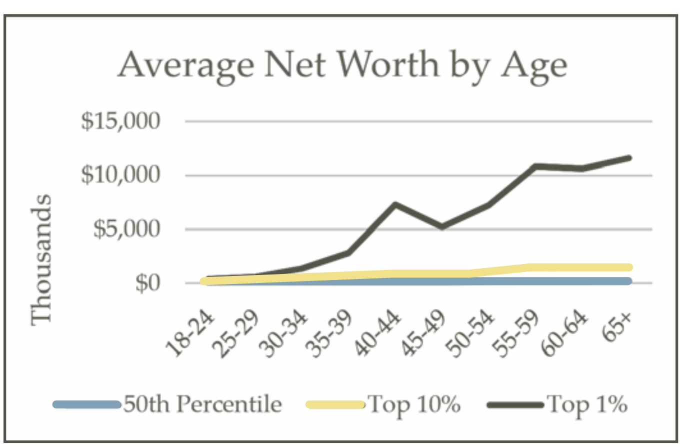
ARE YOU A ONE PERCENTER?

What does it take to be in the top one percent of Americans financially? There are different ways to measure financial success and, of course, age plays a part as does geography. Let's start by looking at income levels.

To make the cutoff for the top 1% of American households by income, you'd need to earn at least $389,436 as of 2013, according to the latest data available from the Economic Policy Institute. Once you're in the top 1%, the incomes range way up from there so that the average income of the top 1% is $1,153,293.

Age, though, plays a factor. If you're under age 32 then it only takes $135,600 a year in income to crack the top 1%. In Michigan, to make the top 1% it's a little lower than the national average. You'd need $306,740 in income to reach that level and the average income in that group comes in at $834,008.

But income is one thing and wealth is another. Here again, age plays a big part. The median net worth of those in the 25-29 age group is just $9,460 according to 2013 data from the Federal Reserve Survey of Consumer Finances. The wealthiest 1% of that age group has a net worth of $594,400, while the top 10% have $127,580.



By their early 50's, the typical American family has accumulated much more wealth. Those in the 50-54 age range have a median net worth of $122,100, the top 10% have $1,017,000 and the one percenters have $7,222,100.

The seniors over age 65 have had the longest time to grow their assets and they have the highest levels of wealth. The median senior has $210,500, the top 10% have $1,487,000 and the top 1% has $11,572,860.

NEW FIGURES FOR 2017

Each year the government adjusts many tax and benefit figures based on inflation. Inflation has been pretty low in recent years so many of the adjustments are minor and some figures weren't adjusted at all because they didn't reach a minimum dollar threshold. These figures aren't official as we write this, but they should be very close projections.

Federal Tax Figures	2016	2017
Standard Deduction-Single	$6,300	$6,350
Standard Deduction-Joint	$12,600	$12,700
Personal Exemption	$4,050	$4,050
Estate & Gift Limits		
Annual Gift Exclusion	$14,000	$14,000
Estate Tax Exclusion	$5.45 m	$5.49 m
Retirement Contributions		
IRA & Roth Limits	$5,500	$5,500
Age 50+ Catch Up	$1,000	$1,000
401(k) limit	$18,000	$18,000
Age 50+ Catch up	$6,000	$6,000
Social Security		
Social Sec. Wage Base	$118,500	$127,200
Ave. SS Ret. Benefit	$1,355	$1,360
Max SS Ret. Benefit	$2,639	$2,687

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:

Joe Henderson, CFP, CLU Joe.Henderson@VintageFS.com
James Burns, CFP, CPA James.Burns@VintageFS.com
Or visit our website at www.VintageFS.com

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

Plan to succeed.

[VINTAGE] FINANCIAL SERVICES, LLC

101 North Main Street, Suite 800
Ann Arbor, MI 48104

On the [MONEY]

INSIDE THIS ISSUE:

- MEDICARE'S HIDDEN TAX
- TAX PLANNING UNDER TRUMP
- ARE YOU A ONE PERCENTER?
- NEW FIGURES FOR 2017