TABLE of EXPERTS

END OF YEAR FINANCIAL PLANNING

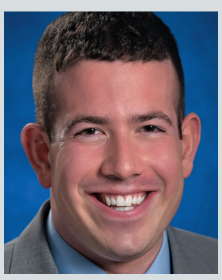
The *Albany Business Review* hosted five experts to discuss new tax rules and financial planning challenges and opportunities. The discussion was moderated by Sierra Kehn of the *Albany Business Review*.

MEET THE PANELISTS

RYAN HUNGERSHAFER, CFP®

Wealth Management Adviser, Northwestern Mutual / Tronco Financial Group

Ryan Hungershafer serves as managing director of the Northwestern Mutual Albany District Office and is in his fifteenth year as a wealth management adviser. His career began in Northwestern Mutual's nationally-ranked internship program in 2002. Ryan has met rigorous professional standards and achieved some of the highest designations and certifications in the industry including, CFP® CLU® and ChFC® and FINRA Series 7, 6, 63, 66 and 26 licenses. He's recognized as one of Northwestern Mutual's top national financial advisers. Ryan holds a Bachelor of Science in finance from Siena College, and is still an active alumnus and donor. Ryan and his family are also proud to support the new Children's Emergency Center at Albany Medical Center. Additionally, Ryan has been a volunteer instructor for Junior Achievement for 13 years. Ryan is a lifetime resident of the Capital Region and resides in Clifton Park with his wife, Marisa and son, Jack.



MYLES B. FISCHER

Associate, Whiteman Osterman & Hanna LLP

Myles is an attorney in Whiteman Osterman & Hanna's estate planning and administration; and federal and state taxation practice groups. He advises clients primarily in the areas of estate planning, estate and trust administration and the corresponding tax (income/gift/estate/generation-skipping transfer) related matters. Myles advises clients with respect to lifetime planning and testamentary planning including reviewing and drafting wills, trust agreements, beneficiary designations, operating agreements, etc. and issues related to charitable planning, business succession planning, asset-protection planning, elder law and special needs planning. He prepares and reviews gift tax returns, estate tax returns and fiduciary income tax returns. With respect to estate and trust administration, Myles counsels fiduciaries and beneficiaries in all proceedings within the Surrogate's Court.

F. MICHAEL ZOVISTOSKI

Partner, UHY LLP, Managing Director, UHY Advisors NY Inc.

Mike has over 30 years of comprehensive auditing experience in a variety of industries and over 20 years as a financial service professional. Mike is an active member of the firm's national manufacturing/distribution group and marketing group. In addition to being a certified public accountant and certified financial planner, Mike's licenses include: FINRA Series 7, 24, 26, 66 and NYS insurance licenses for life, accident & health, variable annuities (NY, FL, CA, CT & NJ). Mike is also a member of the New York Executive Committee.

How have the new tax rules impacted the financial planning industry?

Michael Ruger: The big one was when they changed the property tax caps last year. In December, we had to call everyone and say, "Hey, should I be pre-paying? Not pre-paying?" There's been a lot of time spent disseminating the information and getting that out to our clients.

Mike Zovistoski: The real issue is that the Tax Cuts and Jobs Act needs a lot of clarification. There could actually be more changes before the midterm election.

Myles Fischer: This is an opportunity to review planning based on the change in the law. For the high-net-worth folks the increases of the federal exemption is an extremely valuable planning tool. There's lots and lots to be done, and meeting with your adviser at the end of the year is very important with the new law.

Joseph Lindner: A lot of corporate clients are calling up saying, "Well, I don't have to worry about estate planning anymore," and we say to them, "That's not true. Estate planning isn't just taxes." There are a lot of other things that build into that, and certainly an attorney could build on that even further. But people think of estates as just taxes and that's not true.

How has tax reform and the current economic climate affected your clients' planning?

Ryan Hungershafer: There are more moving parts than ever before. It involves more of a team-based approach. It used to be, "My accountant said this. My lawyer said this. My investment person, my insurance person, said that." Now we need this team-based approach and a quarterback on the team who's making sure they're on the same page. It doesn't mean they can't disagree – because that's most likely for the good of the overall plan – but it's more time intensive. It's time intensive, behind the scenes.

Fischer: Those that have their estate planning keyed to the federal exemptions will find that their formula clauses in their documents could radically change the disposition of their assets compared to what they wanted to do when they had those documents drafted, say, three or five or ten years ago.

You're also getting an extra $6 million per spouse of estate and gift and GST planning, so there's a lot to be done. I think meeting with your adviser at the end of the year is very important.

Ruger: The rules are changing. The goal of the business owner was always to pick as many expenses as you could this year and push income into the following year. Now we look at it and say, "Well, if we have the most favorable tax rate that the business owner may ever be in, does that kind of change things?" Business owners will start questioning, "Should I max out my retirement contributions? Or should I realize the taxes in this year because I have all these new deductions and they're going to be at a low rate?" It really starts to change some of the year-end advice we gave business owners for the last 20 years.

Zovistoski: I always like to be more forward thinking. Year-end is really a good time to set goals for the following year as well – to identify what you want to do and where you want to go, whether it's taking the family for vacation, setting up for your kids to go to college, retirement, or whatever. It's really a good

Standing, left, Myles Fischer, Joseph Lindner and Ryan Hungershafer. Seated, left, Michael Ruger and Michael Zovistoski.

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time to focus on the year coming up.

What end-of-year planning opportunities exist for clients?

Fischer: The paradigm has changed a bit. Instead of accelerating your deductions, it now may make sense to push those off into a following year "bunching" them based on certain threshold amounts. For us in the estate-planning arena, it's about using and leveraging the increased exemptions that have now become available and that are scheduled to expire, and making sure clients know that the annual exclusion has increased, among other things.

Some folks have been giving $10,000 for the last 15 years. The gift tax annual exclusion was $14,000 for several years and now it's $15,000. So they can top those gifts off. It's making sure there's a plan moving forward looking proactively, that because these large exemptions are going to expire, we're going to be either making large gifts before that or allocating the excess additional GST (generation-skipping transfer tax) exemption to existing trusts. This might mean forgiving loans and making larger gifts, for example. Those are really the planning opportunities. Having a general health checkup for your estate plan is where it all begins.

Should individuals consider a Roth IRA or Roth 401k, and should they consider Roth Conversion?

Lindner: This year, with all the tax code changes and the reduction of the marginal tax brackets, it's become much more of a conversation with clients. It might make sense to pay your taxes today versus paying them later. We don't know where the tax codes are going. The current administration's not going to be there forever, so taxes will change in the future. There's a lot of sense to be made for paying that tax today versus later. If you were not considering it before, at least run the numbers now and see if it makes sense for you.

Should individuals consider high deductible health plans and HSA?

Lindner: Absolutely. Again, it's about educating yourself. People look at it and ignore it because it's too confusing for them. And they haven't consulted with either a benefits specialist or a financial adviser on whether or not it makes sense for them. What we find is, for most people, even if you have high medical expenses, health savings accounts still make sense. People are ignoring them, and they're just not giving them the time of day right now. But for a lot of people, it definitely is beneficial.

Zovistoski: It really depends on the situation. You have to make sure that it fits with the client and the client's needs. For example, if the client is pregnant or going to be pregnant, or has a lot of medical exams, medical issues, high-cost medications, that type of thing, an HSA with a high deductible might not fit that person. But if somebody is young and healthy and they don't need to go to the doctors, they can absolutely bank their HSA account.

Hungershafer: There's so much confusion around all these different acronyms and I think people get confused between FSA, HRA, HSA. The reality is that tax-wise, an HSA, or health savings account, is amazing. You can invest it and let it crank for however long you have until you're going to use it in retirement. It's great for tax-favored growth.

Ruger: It's the only type of account, unlike a Roth or a pre-tax one, where you don't pay any taxes on the front end and you don't pay any taxes on the way out. There's no other account where there's no tax anywhere. The healthcare piece in retirement is taking up such a big chunk now, that it's another way to help us plan for those later years.

Can you talk about the current generation-skipping transfer tax exemption and other estate planning opportunities our readers should consider?

Zovistoski: If you're in a taxable bracket and you're looking to maximize the transfer of your estate to the next generation, annual gifts are a great way to drain the estate a little bit. Trusts can also be used to bring your estate down and lock in that lifetime exclusion so that if the law does change, and we know that everything would be under review with a new administration, the lifetime exclusion number could come down. It's been threatened to drop in the past, and who knows where it's going to be in

MEET THE PANELISTS

JOSEPH C. LINDNER, CFP®

Wealth Adviser, Pioneer Wealth Management

A native of Voorheesville, Joe has over 10 years of experience as a financial adviser. He holds the Certified Financial Planner™ certification, awarded by the Certified Planner Board of Standards Inc. He graduated with a Bachelor of Science degree in business administration with a concentration in finance from Salisbury University, where he also played varsity baseball. Prior to working with Pioneer Wealth Management, Joe was a financial adviser with First Niagara Investment Services/LPL. He also worked in premier banking at HSBC from 2006-2012, assisting his clients in the areas of wealth management, estate planning and international banking. In his practice, Joe specializes in investment advising, retirement planning and estate planning working primarily with individuals, families and small businesses. Joe currently resides in Wilton with his wife, Melissa, and two sons. He enjoys spending time around Saratoga with his wife and kids and bringing his sons to their camp in Pennsylvania.

PIONEER Wealth Management

MICHAEL RUGER, CFP®, QKA, CDFA

Managing Partner, Greenbush Financial

Michael is the managing partner of Greenbush Financial Group. GFG is an independent, registered investment advisory firm that manages over $250,000,000 in client assets. The firm specializes in employer-sponsored retirement plan, financial planning, fee based investment management services. Michael is also the founder of the nationally recognized MoneySmartBoard.com, a financial blog that averages over 20,000 visitors each month. The blog was launched in 2017 to give business owners direct access to new tax strategies that have been developed in response to the changes in the tax laws and to help individuals identify financial solutions to meet their various financial goals. In 2008, the firm teamed up with Hugh Johnson Advisors LLC to launch a participant directed 401(k) platform that would provide employees with access to actively-managed portfolios sub-advised by Hugh Johnson and his team of advisers at HJA.

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the future. So if you could, set up a trust to do a taxable gift to the trust in the current year, or before it drops. That locks the exemption in.

Fischer: The GST is not something that's portable. The estate tax exemption is. And so, if the GST exemption is not used now and the spouse dies, it disappears. The federal estate tax exemption will be able to be ported to the surviving spouse.

Hungershafer: There is no reason to be afraid of the word "trust" or be intimidated to set up a trust. A trust is not just for wealthy people and is a great way to make sure your estate is distributed based on your wishes. Even if you don't have a high net worth, all of your assets add up, plus life insurance can create a pretty sizable estate.

Fischer: Even for those with only minor children and no other specific planning concerns, we're using trusts regularly. Even for folks that don't consider themselves wealthy, a trust can be extremely useful. It doesn't have to be a multi-generational trust, a dynastic trust for years and years and years. It could just be for a period of time until children become mature enough adults to handle the assets on their own. A trend that we do see is that the parents aren't viewing the children as becoming mature enough until later. Where it used to be 25 or 30, now we see 50 or 55.

Lindner: The biggest problem I see with clients in their 20s and the 30s is that they don't have that trust or will set up. As a parent, their biggest fear is guardianship: "Who gets my kids if something happens to my wife and I?" The first question I ask those young clients is, "Have you done this yet? If you haven't, this is the most important thing.

What changes to the tax law will have the largest impact on businesses?

Ruger: The qualified business income deduction is new for small businesses this year. Big businesses got their tax break when the corporate tax declined from 35 percent to 21 percent. But they didn't want to leave small businesses out in the cold so they passed something for sole proprietors, partnerships, LLCs. This year they're eligible for a 20-percent Qualified Business Income deduction if their taxable income is at a certain level.

What impact will these tax changes have on individuals?

Ruger: Because we live in New York, the $10,000 tax deduction cap will be a big one for us because a lot of people are paying property taxes over that. But the one that we're seeing more recently, particularly with all the layoffs at GE and GlobalFoundries, is a tax on relocation packages from employers. This was non-taxable before. Now it's taxable income.

Zovistoski: A lot of people won't be itemizing this year, largely because of the tax deduction cap, but people will also be limited to what they can claim with regard to certain home equity loan interest. Some of the home equity interest won't be deductible this year. Additionally miscellaneous itemized deductions are no longer available. For the first time in a long time I think there's going be a lot of people who are not going to be doing itemized deductions.

The Capital District is a very charitable area and there are a lot of charities that receive a lot of donations. I'm wondering if not being able to itemize is going to take some of that away. So the question is how can you get charitable deductions for the itemized deduction for your charities? I think it will come down to grouping your larger donations together in one year, maybe setting up a donor-advised fund or some other type of fund, so you can super-fund a charitable account and then dish it out over the years. It's going to be a big change and take a bit more planning. People are going to see huge changes when they do their tax returns.

Hungershafer: I don't think we can put blinders on and just go to work and put money in a 401(k). Everybody's in these different stages of life. We're seeing so many people that actually saved too much money, and that sounds crazy. But they're now retiring and the requirement distribution age of 70 1/2 becomes an issue because they now have more taxable income than they want.

Fischer: For those taking Required Minimum Distributions from their IRAs with charitable inclinations, making a qualified charitable distribution directly from their IRA to a charity allows them to make a charitable contribution and eliminate taxable income. And you don't have to worry about itemizing in order to take advantage of this because you're just directing taxable income elsewhere. The cap on this is $100,000, but it is broadly applicable to those required to take distributions from retirement accounts.

Zovistoski: The tax act also changed the amount that's deductible on your contributions to public charities. It was increased from 50 percent to 60 percent of adjusted gross income.

What are the threats and opportunities to financial planning firms today?

Hungershafer: The average age of financial advisers in the industry is 58 and there is a lack of diversity. What we're seeing now is how diversity can have an impact on different communities. Our last five recruiting classes have been 40 percent or 50 percent diverse. That's what the world looks like and I think that's really important.

We're also seeing a more team-based approach. Veteran advisers asking questions like "What's my team look like?" and "What's my succession strategy?"

What is the most common question raised by your clients as the end of the year approaches?

Fischer: "What's going on with the state and local property-tax limitation and itemized deductions?" That's been working itself out through New York state enacting some legislation and then the IRS trying to shut down any sort of end-around. Those are probably the two biggest questions regarding the tax act.

Generally speaking, folks are asking what they should be doing by year end. Are there sunsets to other provisions of the laws that are changing at the year's end? What should we be doing at the year's end? Should we be setting up a trust by year's end? Is it necessary? And then it's about sitting down with them and being responsive, and discussing whether and when the changes in the law will occur and its impact on them.

It's been a volatile year in the stock market. What are your predictions for markets going into 2019?

Ruger: People realize markets are cyclical and at some time we're going to start heading down. We look at 2019 and say, "There's definitely some challenges" –mainly because the good news is the economy's at full employment. But the bad news is the economy's at full employment so there are not a whole lot of employees looking for jobs and the demand keeps coming. The issue then becomes, can the companies find the people to produce the goods and services needed to keep this thing going? Our GDP rates picked up at 4 percent this year. Without the needed employees, we may go back down to a 2 percent rate next year on the GDP growth.

It creates another issue in that if there's a shortage of workers, you start seeing employees getting stolen by different firms. Those companies now have to pay their workers more, which cuts into corporate profitability. But higher wages means higher inflation. And everyone's talking about the Fed raising rates. This is Trump's new favorite topic to talk about–about them raising rates. When the Fed raises rates, it intentionally slows down our economy so we don't overheat. If inflation really kicks up in a big way in 2019, that could also slow us down, 2019 becomes that year where it starts to get tricky.

Lindner: Clearly it's hard to grow or keep growing at that pace. And it's not that we think the economy is in trouble. I always tell my clients, "The economy and the market are two different things." The economy is healthy, the economy is in a good spot. The markets irrationally react to that sometimes, for better or for worse. We've seen that. When we look at year-end reviews, clients will always focus on certain parts of their portfolios. They'll say, "All right, this one lost money, why do we keep holding that?" Sometimes funds lose money because they're supposed to lose money.

If you want a bond fund this year and it's just a core bond fund, it was supposed to lose money. It did what it was supposed to do. If it made money, that would be the problem.

You have to bring clients back to, "Hey, sometimes this does what it's supposed to do." And that's a great thing, but it doesn't look great in your portfolio.

Again, it's taking that step back, and saying, "All right let's look at the underlying fundamentals, and yeah, we don't think it's going to keep growing at the pace it was growing, but we do think it's going to keep growing, it's just going be a more challenged growth." There are a lot of good things going on. Technology is bringing on all sorts of efficiencies in our markets and our economy. We think it's the most hated Bull Market ever because people just don't believe it's still going on. But we think it certainly can continue. Just don't expect 30 percent rates to return every year. It's going to be much more of a challenge.

Hungershafer: With the unemployment rate where it is, it means we have the opportunity to get more productive. It has provided the opportunity for smart and talented people to create new things that will help efficiency.

If your retirement plan hinges on what the market does, you don't have a plan. You have an investment account and basically, that's the one piece of the puzzle. A 401(k) is called a retirement plan. It's not. It's a product.

Young adults are starting their careers heavily in debt in student loans, car loans, mortgages and more. What's your best advice to young adults finding themselves in this position?

Zovistoski: The key here is to stay focused. First of all, you have to make the minimum payments on every loan. And as you pay off a loan, consider using your tax refund toward paying down the loans. From there, as you pay off that loan, take that payment and apply it to the next loan. And let the cumulative payments continue to snowball so that eventually you'll pay off all the loans. But the key point here is while you're paying off your debt, and while you're paying off your loans, don't forget to pay yourself as well. You've got time on your side. The best time to start putting away for retirement is in your 20s because you have the time for it to grow, to compound. You'll be thanking yourself later in life, as you get closer to retirement, if you start saving earlier.

Hungershafer: Student loans can tend to have higher interest rates than other loans. You have to have a strategy, you have to have a plan. Absolutely pay yourself first. Don't default on anything. Don't miss payments. There's really an emotional versus a financial answer, too. I get both sides. Neither one is right or wrong.

Zovistoski: And be careful with the credit card debt. You don't want to be building more debt on top of your existing debt. So keep an eye on it.

Fischer: There are new companies that are buying student loans and offering competitive rates, so there's opportunity there. You just have to talk to your advisers. Financial advisers will be able to put people in the right direction.

Hungershafer: Also understanding the 0 percent offers. I don't want to miss that point. I'll tell you, We financed a couple of furniture purchases when we were younger and I thought I understood and that all the companies would be the same. One was $12,000 worth of furniture, paying $1,000 a month at 0 percent interest and it's done in one year. Another company may allocate those dollars differently and you end up with a balance. They hit you with a high interest rate on the balance. A lot of companies keep offering 0 percent for a reason. It's working for them.

What points would you like to make that we didn't specifically address today?

Lindner: Make sure you're sitting down with a professional at the end of the year and going over your situation specifically. Understand your benefit package, from retirement planning to healthcare to insurances, that are offered through your employer. Make sure you're doing the reviews of your beneficiaries, your wills, your trusts, and all that. Make sure those key areas are taken care of.

Zovistoski: I always tell my clients that while you have to take taxes into consideration, don't make life decisions based on taxes. If you have a goal, a plan, let's come up with a plan to achieve it. Don't dwell on taxes. You don't need to take advantage of every tax loophole or every tax advantage that's out there. If it fits within your plan, take advantage of it. But if it doesn't, don't worry about it. Make sure you're able to accomplish what you want to accomplish. I focus on family, community, and profession. I take care of each one of those buckets and make sure they're as full as possible.

Hungershafer: Financial planning is for everybody. It's not just for those who have wealth. It could be for a 22-year-old trying to clean up student loans, who needs some help and wants to build a long-term relationship. It's also important to realize that in order to have a true financial security plan, there's defensive and offensive planning. There's a lot of planning that is just not that exciting. Understand your health insurance and other benefits. I can't tell you how many people I see that are in their 30s, and they're like, "Well, I used to just go to the doctor and pay a $10 copay, and that was it." It's changed. You can't just do that anymore.

Fischer: It's important to keep the dialog open throughout the year. Meeting at the year's end is potentially too late for certain transactions and tax planning, so keep your lines of communication open with your advisers and meet regularly to discuss planning opportunities and update your documents as circumstances change with the family.

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RYAN HUNGERSHAFER, wealth management adviser at Northwestern Mutual/Trunco Financial Group.

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Thank you to our participants

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