




TAKE THE JOURNEY


## WINTERSESSION 2017: PERSONAL FINANCE MANAGEMENT

January 2017

### AGENDA

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- Introduction
- The Financial Planning Process
- Personal Taxes and Tax Planning
- Risk Management and Personal Insurance
- Question and Answer




### INTRODUCTION

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- Founded in 1986, The Colony Group is an independent, fee-only financial advisory firm.
- We are a growing firm with offices in Massachusetts, New York, Virginia, Colorado, and Florida.
- We have approximately 100 employees, work with over 1,800 clients, and manage approximately \$5.5 billion of client assets.

#### OUR MISSION

TO PROVIDE PEACE OF MIND TO OUR CLIENTS  
THROUGH OBJECTIVE FINANCIAL ADVISORY SERVICES  
DELIVERED BY A TEAM OF TRUSTED EXPERTS  
DEDICATED TO THE HIGHEST LEVEL OF PERSONALIZED SERVICE



### MEET THE TEAM

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**PATRICK DONNELLY, CFP®**  
Principal & Senior Financial Counselor

Patrick is a Senior Financial Counselor and a Principal of The Colony Group, having brought his expertise in comprehensive financial planning to The Colony Group from Mintz Levin Financial Advisors in 2012. Patrick is a CERTIFIED FINANCIAL PLANNER™ practitioner with extensive experience in counseling high net worth individuals in all areas of financial planning, including cash flow management, investment allocation and management, retirement planning, insurance, and tax planning.



**MATT ILTERIS, CFP®, EA®**  
Principal & Senior Financial Counselor

Matt is a Senior Financial Counselor and a Principal at The Colony Group. He provides comprehensive wealth management and investment advisory services, including financial planning, investment management, and tax planning, to corporate executives and high net worth clients of the firm. Matt is a CERTIFIED FINANCIAL PLANNER™ professional and an Enrolled Agent before the Internal Revenue Service.



## INTRODUCTION

**Why choose a CFP® professional?**

Working with a CFP® professional can secure your financial wellbeing, give you peace of mind, and help you reach financial planning success.

**CFP® Certification Requirements**

- Education
- Examination
- Experience
- Ethics
- Enforcement


**How do I find a Certified Financial Planner™ professional?**

- [www.letsmakeaplan.org](http://www.letsmakeaplan.org)
- [www.cfp.net](http://www.cfp.net)
- [www.napfa.org](http://www.napfa.org)
- [www.fpanet.org](http://www.fpanet.org)

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## PERSONAL TAX - INTRODUCTION



- ▶ What's New
- ▶ Tax Calculation
- ▶ Tax Savings Tips
- ▶ Filing Requirements

*"In this world, nothing can be said to be certain, except death and taxes."*

- Benjamin Franklin

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## PERSONAL TAX – RECENT ADDITIONS AND CHANGES

**TAX SCAMS**

- ▶ **Telephone Scams**  
Caller says the victim owes money and threatens arrest from local police department unless the victim pays.
- ▶ **Phishing**  
Phishing is carried out with the help of unsolicited email or a fake website to lure potential victims and prompt them to provide valuable personal financial information.
- ▶ **Fake Notices:**  
Fake CP2000 notices are being sent to unsuspecting taxpayers, billing them for unpaid taxes related to the Affordable Care Act.

**PRESIDENT-ELECT TRUMP**

- ▶ Donald Trump's election as the 45th President of the United States is expected to bring changes to the tax laws for individuals and businesses.
- ▶ President-Elect Trump had made tax reduction a centerpiece of his economic plans during his campaign, proposing lower and consolidated individual income tax rates, expand tax breaks for families, and repeal the Affordable Care Act.

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## PERSONAL TAX - 2017 INCOME TAX BRACKETS

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2017 Ordinary Income Tax Rates			
Single		Married (Filing Jointly)	
\$0-\$9,325	10%	\$0-\$18,650	10%
\$9,325-\$37,950	15%	\$18,650-\$75,900	15%
\$37,950-\$91,900	25%	\$75,900-\$153,100	25%
\$91,900-\$191,650	28%	\$153,100-\$233,350	28%
\$191,650-\$416,700	33%	\$233,350-\$416,700	33%
\$416,700-\$418,400	35%	\$416,700-\$470,700	35%
Over \$418,400	39.6%	Over \$470,700	39.6%

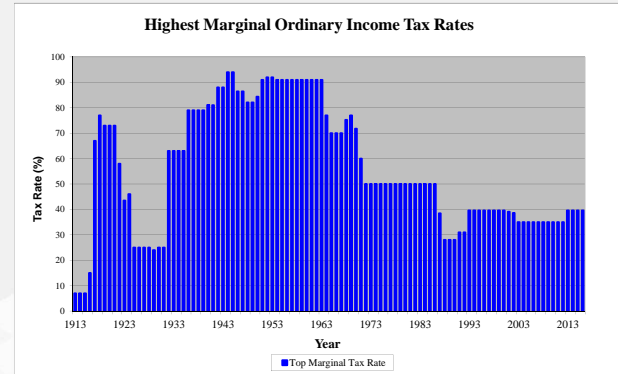
  

2017 Long-Term Capital Gain and Qualified Dividend Tax Rates			
Single		Married (Filing Jointly)	
\$0-\$37,950	0%	\$0-\$75,900	0%
\$37,950-\$418,400	15%	\$75,900-\$470,700	15%
Over \$418,400	20%	Over \$470,700	20%

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## PERSONAL TAX – HISTORY CLASS

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## PERSONAL TAX

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## CALCULATING YOUR TAX LIABILITY: GROSS INCOME

Income Tax Calculation

$$\begin{aligned}
 &\$ \text{ Gross Income} \rightarrow \text{Compensation (W-2)} \\
 &\quad - \text{ Adjustments} \rightarrow \text{Dividends} \\
 &\quad \quad \quad \text{Alimony received} \\
 &\quad \quad \quad \text{Interest} \\
 &\quad \quad \quad \text{Business profits} \\
 &\quad \quad \quad \text{Gains} \\
 &\quad \quad \quad \text{Rents} \\
 &\quad \quad \quad \text{Royalties} \\
 &\quad \quad \quad \text{Refunds} \\
 &\quad \quad \quad \text{Other} \\
 &= \text{ Adjusted Gross Income} \\
 &\quad - \text{ Deductions} \\
 &\quad - \text{ Personal Exemptions} \\
 &= \text{ Taxable Income} \\
 &\quad \times \text{ Tax Rate} \\
 &= \text{ TAX LIABILITY}
 \end{aligned}$$

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## PERSONAL TAX

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## CALCULATING YOUR TAX LIABILITY: ADJUSTMENTS

Income Tax Calculation

$$\begin{aligned}
 &\$ \text{ Gross Income} \rightarrow \text{Business expenses} \\
 &\quad - \text{ Adjustments} \rightarrow \text{Losses from sales} \\
 &\quad \quad \quad \text{Alimony paid} \\
 &\quad \quad \quad \text{IRA contributions} \\
 &\quad \quad \quad \text{Moving expenses} \\
 &\quad \quad \quad \text{Rental expenses} \\
 &\quad \quad \quad \text{Other} \\
 &= \text{ Adjusted Gross Income} \\
 &\quad - \text{ Deductions} \\
 &\quad - \text{ Personal Exemptions} \\
 &= \text{ Taxable Income} \\
 &\quad \times \text{ Tax Rate} \\
 &= \text{ TAX LIABILITY}
 \end{aligned}$$

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## PERSONAL TAX

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CALCULATING YOUR TAX LIABILITY:  
DEDUCTIONSIncome Tax Calculation**\$ Gross Income****- Adjustments****= Adjusted Gross  
Income****- Deductions****- Personal  
Exemptions****= Taxable Income****x Tax Rate****= TAX LIABILITY***Higher of:*Standard Deduction

Single: \$6,350

MFJ: \$12,700

Itemized Deductions

Taxes

Interest

Casualty losses

Charitable donations

Employee education

Medical expenses

Other

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## PERSONAL TAX

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CALCULATING YOUR TAX LIABILITY:  
EXEMPTIONSIncome Tax Calculation**\$ Gross Income****- Adjustments****= Adjusted Gross  
Income****- Deductions****- Personal  
Exemptions****= Taxable Income****x Tax Rate****= TAX LIABILITY**

→ \$4,050 for 2017

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## PERSONAL TAX – TAKE-HOME PAY

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## CASH FLOW AND PAYCHECK ANALYSIS

Gross	\$50,000		\$100,000	
Federal Tax	\$4,600		\$16,000	
MA Tax	\$1,700		\$4,200	
Social Security	\$3,100		\$6,200	
Medicare	\$700		\$1,400	
401(k)	\$3,000	6%	\$6,000	6%
Medical	\$3,500		\$3,500	
Disability	\$500		\$500	
Life	\$500		\$500	
<b>Net</b>	<b>\$32,400</b>	<b>65%</b>	<b>\$61,700</b>	<b>60%</b>

Calculated using "Single" filing status

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## INCOME TAX – KEEPING MORE IN YOUR POCKET

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## TAX SAVING TIPS

## ▶ 401(k):

- Traditional 401(k) contributions are made with pre-tax dollars (upfront tax break, taxable when distributed). \$18,000 limit for 2017.
- Roth 401(k) contributions are made with after-tax dollars (no upfront tax break, tax-free when distributed). \$18,000 limit for 2017.



At the very least, contribute enough to obtain the maximum employer match, if available.

## ▶ IRA:

Make a Traditional IRA (pre-tax) or Roth IRA (after-tax) contribution if circumstances warrant such a contribution. \$5,500 limit for 2017.

## ▶ Flexible Spending Account (FSA):

Allows employees to set aside a portion of earnings pre-tax to pay for qualified medical and dental expenses. \$2,600 limit in 2017. Up to \$500 carryover year to year (employer specific).

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## PERSONAL TAX– KEEPING MORE IN YOUR POCKET

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### TAX SAVING TIPS

- ▶ **Transportation:**  
Employees can pay for transportation costs on a pre-tax basis, up to \$130/month for a mass transit pass and \$255/month for qualified parking.
- ▶ **Student Loan Interest:**  
Individuals may deduct up to \$2,500 of interest paid on a qualified student loan used for higher education, subject to AGI limits.
- ▶ **Education Credits:**  
American Opportunity Tax Credit is available for the first four years of postsecondary education. The maximum annual credit is \$2,500, subject to AGI limits.
- ▶ **Moving Expenses:**  
Can deduct certain expenses when moving household goods and personal effects. Must satisfy Distance and Time Tests.
- ▶ **Massachusetts Rental Deduction:**  
Limited to 50% of the rent paid to a landlord up to \$3,000 for your primary



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## INCOME TAX – FILING REQUIREMENT

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### ENFORCEMENT IN A "VOLUNTARY" COMPLIANCE SYSTEM

- ▶ Unlike the taxing systems of certain other countries, the U.S. taxing system depends largely on voluntary compliance.
- ▶ Federal and state returns need to be filed by April, 15th (April 18th this year). Taxpayers are allowed a six-month extension to file their return. It is an extension of the time to file, NOT to pay.
- ▶ Online is easiest and inexpensive. Will pick up most deductions and relevant scenarios.
- ▶ Accountants tend to be relatively expensive, but can be helpful if your return is complicated (i.e., rental property, self-employed, etc.)

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## PERSONAL TAX – AUDIT STATISTICS

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### THE PROBABILITY OF AN AUDIT

Income Level	2012 Audit Rate	2013 Audit Rate	2014 Audit Rate
Under \$200,000	0.85%	0.88%	0.65%
Over \$200,000	3.4%	3.3%	1.75%
Over \$1,000,000	8.9%	10.9%	6.21%

Source: www.irs.gov



Over the course of your lifetime, you probably will be audited!

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## RISK MANAGEMENT AND PERSONAL INSURANCE

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## HEALTH INSURANCE

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You can stay on your parents' plan until age 26, even if you are married, financially independent and no longer live with your parents

Employer-provided group coverage tends to be the best solution

HMO vs. PPO

Review your deductible, your maximum out-of-pocket cost, and the premium



## AUTOMOBILE INSURANCE

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College students can be covered under their parents' policy if they share the same legal address

Coverage can get expensive depending on age, vehicle, driving record, and principal garaging

Review deductibles for potential premium savings

Inquire about discounts

Good driving Good student Driver training Annual mileage Anti-theft Etc.



## AUTOMOBILE INSURANCE POLICY

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Auto 1 06 AUDI A4 2.0T 4D SEDAN		Auto			
Item 4: This policy provides only the coverages for which a premium charge is shown:					
Coverages, Parts 1-12		AUTO			
COMPULSORY INSURANCE					
	LIMITS	Rate	Premium	Premium	LIMITS
1. Bodily Injury to Others	\$ 20000 \$ 40000	per person per accident	\$ 1.62 6-		None None
2. Personal Injury Protection	\$ 8000	per person	NONE		None None
3. Bodily Injury Caused by Air Unlawful Auto (Compulsory Limits \$20,000 - \$40,000)	\$ 100000	per person	\$ 1.4		None
4. Damage to Someone Else's Property (Compulsory Limits \$1000)	\$ 100000	per person	\$ 2.24	6-	None
OPTIONAL INSURANCE					
5. Optional Bodily Injury to Others	\$ 100000 \$ 300000	per person per person	\$ 93 2-		None
6. Medical Payments	\$ 10000	per person	\$ 118	8-	None
7. Limited Coverage	\$ 1000	per person	\$ 103	8-	None
8. Comprehensive	Actual Cash Value	per person	\$ 1.6		None
9. Unlawful Transportation	Actual Cash Value	per person	\$ 2.3		None
10. Towing and Labor	\$ 1000	per person	\$ 1.6		None
11. Bodily Injury Caused by Air Unlawful Auto	\$ 100000 \$ 300000	per person per person	\$ 1.4 2-		None
MERIT RATING PLAN					
Premium Adjustment		\$	Premium Adjustment	\$	
PREMIUM (per AUTO)		\$ 1008		AUTO	
TOTAL PREMIUM (POLICY)		INCL. WAIVER OF DED		\$ 22.50	
DISCOUNTS					
AUTO 1	6%	Multi-Pol	20%	Multi-Unit	



## PROPERTY INSURANCE

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Renters, Condo, and Homeowners

Protection of your possessions whether at home or not

Renters Insurance is a relatively low cost way to protect your personal belongings

If someone is injured during an accident at your home, insurance can help protect you in the event of a lawsuit

Be sure to catalog your belongings with a digital camera



## PROPERTY INSURANCE POLICY

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BASIC PREMIUM	ENDORSEMENTS PREMIUM	SCHEDULED PROPERTY PREMIUM	TOTAL PREMIUM	ADDITIONAL/RETURN PREMIUM
\$256.00	\$81.00		\$337.00	

THE RESIDENCE PREMISES COVERED BY THIS POLICY IS LOCATED AT THE ABOVE ADDRESS UNLESS OTHERWISE STATED.  
LOCATED AT: [REDACTED] MA [REDACTED]

SECTION I - COVERAGES  
 COVERAGE A: DWELLING  
 COVERAGE B: OTHER STRUCTURES  
 COVERAGE C: PERSONAL PROPERTY  
 COVERAGE D: LOSS OF USE  
 COVERAGE E: PERSONAL MEDICAL  
 COVERAGE F: LIABILITY TO OTHERS

POLICY USED FORM TOWN/HOM CONST NO FAM CONSTR TR PRET CODE YEARS NO APT  
 \$1,000 4 FR 1 01 100

IN CASE OF LOSS UNDER SECTION I, WE COVER ONLY THAT PART OF THE LOSS OVER THE DEDUCTIBLE AMOUNT.

ENDORSEMENTS ATTACHED	LIMIT	PREMIUM
HO-0004 04-91 Contents Broad Form		(INCL.)
HO-0120 10-99 Special Provisions		(INCL.)
HO-0496 04-91 No Day Care Coverage		(INCL.)
CIC-907 04-96 Policyholder Notification		(INCL.)
HO-0523 07-97 Mandatory Mournement End		(INCL.)
ACCT-CR 05-08 Account Credit 20%		\$41.00-
CIC-1093 11-00 Co-occupant Endorsement		\$30.00
CAMBRIDGE [REDACTED]		
CIC-2047 05-09 Identity Fraud Expense		\$25.00
CIC-2090 05-11 ID Fraud Resolution Serv		
CIC-2159 05-10 Amend. Seepage/Mold Endt		(INCL.)
Sect. I	\$10,000	
Sect. II	\$50,000	

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## LIABILITY INSURANCE

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Liability coverage via automobile and property policies

Umbrella liability coverage is a relatively inexpensive way to protect yourself from a catastrophic lawsuit

\$1,000,000 of umbrella liability coverage can cost as little as \$150 per year

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## LIFE INSURANCE

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- Pay off debt
- Income replacement for dependents
- Funding future goals such as college education for child(ren)

WHY MIGHT I NEED LIFE INSURANCE?

HOW MUCH DO I NEED?

WHERE DO I GET IT?

WHAT TYPE IS RIGHT FOR ME?

- Individual vs. Group
- Term vs. Whole Life

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## DISABILITY INSURANCE

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- Your earning power is an enormous asset
- 1 in 4 of today's 20 year-olds will become disabled before reaching age 67
- 30 year-olds are three times more likely to suffer a disability than they are to die
- Disability benefits from Social Security are not enough

WHY MIGHT I NEED DISABILITY INSURANCE?

HOW MUCH DO I NEED?

WHERE DO I GET IT?

- Typically 60% of your gross income
- Individual vs. Group

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IDENTITY THEFT

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2014: 17.6M U.S. victims, 86% related to credit cards or bank accounts, 67% resulted in financial loss

Protect your Social Security number & account info

Shred documents with personal information

Use strong passwords, secure websites, and private Wi-Fi. Be mindful of what you share via social media.

www.annualcreditreport.com

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FOR MORE INFORMATION, CONTACT:

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**CLIENT JOURNEY - pg. 22**  
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