FLYNN | ZITO
CAPITAL MANAGEMENT

Greetings!

Our newsletter this month is titled "Year-End Planning: Investment Decisions to Make Before the Year Is Over."

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

Doug Flynn, CFP®, ChFC®
Rich Zito, CFP®, CMFC®
Steve Aberman
www.FlynnZito.com

Flynn Zito Capital Management, LLC
A Registered Investment Advisor
300 Garden City Plaza, Suite 226

## In This Issue



**More About Us**

Join our Mailing List

Garden City, NY 11530
(516) 746-9000
(516) 746-0300 fax
flynn.zito@lpl.com

## Year-End Planning: Investment Decisions to Make Before the Year Is Over

What's on your end-of-the-year to-do list? Shopping for gifts? Making travel plans? What about spending some time with your investments? Conducting a review and making important decisions before 2017 comes to a close may help you lower your tax bill and get your portfolio on the right track for 2018.

## Review, Reassess, Rebalance

Year-end is an ideal time to review your portfolio to see if investments are performing as you expected when you chose them and to help ensure your asset allocation hasn't strayed from your risk tolerance comfort zone. From year to year, various asset classes may perform differently in response to market and economic conditions. If one asset class now represents a greater percentage of your portfolio than you intended, you may want to consider rebalancing to bring your portfolio back to its original mix.

Also consider whether your time horizon, risk tolerance or goals have changed since you chose your investments. If so, rebalancing may help to bring your investment mix more in line with your current long-term investing strategy.[1]

## Review Gains and Losses

As the end of the year draws near, the last thing anyone wants to think about is taxes. But if you are looking for ways to minimize your tax bill, there's no better time for tax planning. There may be steps you can consider taking now that could reduce your tax bill come next April.

If you have a taxable investment account, know that the rates that apply to short- and long-term capital gains vary considerably. Short-term gains (gains on assets held one year or less) are taxed at ordinary rates as high as 39.6%, while long-term gains (gains on assets held longer than one year) are taxed at rates of 0%, 15% and 20% for those in the highest ordinary income tax bracket.[2]

Generally, you may use capital losses to offset capital gains recognized during the

tax year. Additionally, if capital losses for the year exceed capital gains, you may deduct up to $3,000 of those losses against ordinary income and carry forward any unused capital losses for future years, subject to the same limitations.
Given these general tax rules, now may be a good time to review your portfolio and your investment transactions to see where you stand from a gain/loss perspective.

- Some investments, such as mutual funds, incur trading gains that they distribute to shareholders before year-end. Capital gains distributions have to be reported on your tax return even if they're reinvested in additional fund shares, so be sure to include them when you are estimating gains and losses.
- Most capital gains and losses will be triggered by the sale of an asset, which you usually control. Are there some winners that have enjoyed a run that are ripe for selling? Are there some losers that you would consider selling?

Although using capital losses to offset capital gains can save taxes for investors, be aware that the tax implications of a sale should be only one factor in the decision to buy or sell an investment. Keep in mind that a few down periods don't mean you should sell simply to realize a loss. Nor does a healthy unrealized gain necessarily mean an investment is ripe for selling. Stocks in particular are long-term investments, subject to ups and downs.

## Over 70½? Don't Forget Required Distributions

An important year-end consideration for older Individual Retirement Account (IRA) holders is whether or not they have taken required minimum distributions (RMDs). Generally, the IRS requires account holders aged 70½ or older to withdraw specified percentages from their traditional IRAs each year. These percentages vary depending on your age, increasing as you grow older. If you have not taken the required distributions in a given year, the IRS may impose a 50% tax on the shortfall. So make sure you take the annual RMD by the required deadline. (For most taxpayers, the deadline will be December 31, but taxpayers taking their first RMD may elect to take the distribution by April 1 of the year following the year they turn 70½.)

Regardless of what Congress does in the future, there are many steps you can take today that may help to lighten your tax burden and position your portfolio for the New Year. Work with a financial professional and tax advisor to see what you can do before year-end.

1 Rebalancing a portfolio may create a taxable event if done outside a tax-deferred retirement account.
2 A 3.8% tax on "net investment income tax" went into effect in 2013, effectively increasing the top rate on most long-term capital gains to 23.8% for certain high-income taxpayers.