



Newsletter

DECEMBER 2017

Freddi & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.

Tax filing Reminders

- **December 15** – Due date for calendar-year corporations to pay the fourth installment of 2017 estimated income tax.
- **December 31** –
 - ◊ Deadline to complete 2017 tax-free gifts of up to \$14,000 per recipient.
 - ◊ Deadline for paying expenses you want to be able to deduct on your 2017 income tax return.

Get ready to Save more in 2018

You can save more for retirement next year using tax-advantaged accounts, thanks to a boost in the maximum 401(k) contribution rate by the IRS. The maximum rate increases by \$500 to \$18,500, which is the first increase in three years. Those aged 50 or older can still contribute an additional \$6,000 on top of that amount.

This is good news, because a 401(k) is one of most potent tools in your retirement arsenal. It offers many benefits over other forms of saving, including:

- **Tax-deferred growth.** Pre-tax income of \$18,500 invested over 30 years with 6 percent annual cumulative interest will grow to \$111,901.92. That's compared with \$67,588.76 of the same amount of income invested after being taxed at the highest rate. While you'll owe tax on 401(k) withdrawals after retirement, you may be able to manage your 401(k) withdrawals to fall into a lower income bracket.
- **Roth option.** You may opt to make your contributions to a 401(k) as a Roth investment, meaning you invest post-tax income, but you can withdraw from your Roth tax-free during retirement. A mix of traditional and Roth accounts will give you flexibility to manage your income tax rate during retirement.
- **Company match.** Many companies offer to match the first few percentage points of their employees contributions to a 401(k). Even if you can't max out your contribution, you should try to invest up to your company's match limit. Otherwise, you're just leaving money on the table.

While 401(k)s have great utility, they come with a few downsides. Any withdrawals made before age 59 1/2 are assessed a 10 percent penalty fee, in addition to being taxed as regular income during the year they are withdrawn. Any investments in 401(k)s also are limited to a few choices set by your employer's retirement plan, so a limited number of conventional investment options in mutual funds is one of the trade-offs of using a 401(k).

~ Continued on Page 2 ~



Newsletter

DECEMBER 2017 — PAGE 2

4 business year-end moves

Even though the end of 2017 is near, it is not too late to get your business into the best possible tax position for the new year.

Here are some year-end tax moves to consider:

- **Update the office.** A fresh coat of paint and new office furnishings not only make your place of business more comfortable, they also provide another tax deduction. How you handle deducting these expenses will vary depending upon whether you own or lease your office space, so reach out for assistance if you have questions.
- **Reward your staff.** If you have sufficient cash flow, giving your staff a year-end bonus is a great way to let them know you appreciate them. It's also tax-deductible.
- **Update your skills.** Attend a workshop or conference to improve your professional skills. While there are some limitations, many travel, lodging and out-of-pocket expenses related to professional training are tax-deductible.

Be nimble. Recent discussions in Congress could mean a dramatic change in taxes on business profits beginning in 2018. Stay abreast of these developments in case you need to make last-minute moves to shift profits from one year to the next to reduce your tax rate.

There are a lot of nuances in the tax code affecting each of these end-of-year moves. Don't hesitate to get in touch if you need advice.

New year, new job

5 tax tips for job changers

There are a lot of new things to get used to when you change jobs, from new responsibilities to adjusting to a new company culture. You may not have considered the tax issues created when you change jobs. Here are tips to reduce any potential tax problems related to making a job change this coming year.

1. **Don't forget about in-between pay.** It is easy to forget to account for pay received while you're between jobs. This includes severance and accrued vacation or sick pay from your former employer. It also includes unemployment benefits. All are taxable but may not have had taxes withheld, causing a surprise at tax time.

~ Continued on Page 3~



Newsletter

DECEMBER 2017 — PAGE 3

New year, new job (Cont'd)

2. **Adjust your withholdings.** A new job requires you to fill out a new Form W-4, which directs your employer how much to withhold from each paycheck. It may not be best to go with the default withholding schedule, which assumes you have been making the salary of your new job all year. You may need to make special adjustments to avoid having too much or too little taken from your paycheck. This is especially true if there is a significant salary change or you have a period of low-or-no income. Keep in mind you'll have to fill out a new W-4 in the next year to rebalance your withholding for a full year of your new salary.
3. **Roll over your 401(k).** While you can leave your 401(k) in your old employer's plan, you may wish to roll it over into your new employer's 401(k) or into an IRA. The best way is to get your retirement funds transferred directly between investment companies. If you take a direct check, you'll have to deposit it into the new account within 60 days, or you may be assessed a 10 percent penalty and pay income tax on the withdrawal.
4. **Deduct job-hunting expenses.** Tally up your job-seeking expenses. If they and other miscellaneous deductible expenses total more than 2 percent of your adjusted gross income for the year, you can deduct them on an itemized return. This includes things like costs for job-search tools, placement agencies and recruiters, and printing, mailing and travel costs. A couple caveats: you can only use these deductions if your expenses were to search for a job in the same industry as your previous job, and you were not reimbursed for them by your new employer.
5. **Deduct moving and home sale expenses.** If you moved to take a new job that is at least 50 miles farther from your previous home than your old job was, you can also deduct your moving expenses. There's another benefit for movers, too. Typically, you can only use the \$250,000 capital-gain exclusion for home sales if you lived in your primary residence for two of the last five years before you sold it. But there is an exception to the rule if you sold your home to take a new job.

Finding a new job can be an exciting experience, and one that can create tax consequences if not handled correctly. Feel free to call for a discussion of your situation.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.