



# Online Advisor

- AUGUST 2016 -

## WHAT'S NEW IN FINANCES:

Are you stressed about your retirement savings?



A research study conducted by a global management firm turned up interesting results: younger workers are more stressed about retirement savings than older workers. Overall, 70% of the study's participants were stressed about retirement. The biggest concerns among all participants were running out of money during retirement, and paying for health care.

If these results mirror your own retirement outlook, the best stress-reliever is to create a written plan. To start, your plan doesn't have

to be overly detailed. What you're aiming for initially is a general map of where you want to be financially when you retire. That will give you a focus point and help you develop your objectives. From there, you can review your current retirement savings and

Greetings!

*Summer is coming to an end and the big "to do list" is just as long as it was at summer's start. We all know how hard it is to embark on organizing your finances and planning for your financial future. No worries, we are here to help; we are Certified Financial Planners™ and can help you with retirement planning, college planning and just getting "financially fit"!*

*Back-to-school often means "back-to-work" or "back-to-reality" for adults, so now is a good time to check in with us. Call to set up an appointment today.*

*We are looking for more good clients like you, and since we are expanding, we would appreciate your referrals! Forward this email to friends and family; it entitles them to a complimentary consultation.*

*The partners and staff of Couto DeFranco, P.A.*



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## WHAT'S NEW IN TAXES: HEALTH SAVINGS ACCOUNT LIMITS BARELY BUDGE FOR 2017

Inflation-adjusted limits for deductible contributions to health savings accounts (HSAs) for 2017 remain similar to prior years. For family coverage, the contribution limit will be \$6,750, unchanged from 2016. For individual coverage, the limit rises \$50 to \$3,400. If you're 55 or older, you can contribute an additional \$1,000, as in prior years. When you combine an HSA with a high-deductible health insurance plan, you can set aside pretax contributions that

can be later withdrawn tax-free to pay unreimbursed medical expenses. Contact us for details.

### Should you consider a health savings account?

Are you familiar with health savings accounts (HSAs)? These accounts, which combine a savings account and a high-deductible



current retirement savings and investigate what options are available to you, such as employer-funded retirement accounts and IRAs. Knowing your options will help you select a savings strategy.

Following a consistent plan tailored to your goals is the way to success. Contact us for help.

## Account management is key to a comfortable retirement

How can you achieve a comfortable retirement? One way is to manage your retirement accounts - a process that doesn't have to be as difficult as you may think. Here are five suggestions.

"Start a retirement savings program as early as possible and contribute regularly." The longer and more regularly you contribute, the larger your nest egg will become, even before the compounding provided by growth and earnings. Regular, reasonable deposits wisely invested will easily outgrow sporadic and insignificant contributions.

"Deposit your funds in tax-deferred accounts." If your employer or business offers a tax-deferred plan, such as a 401(k), contribute as much as you can, particularly if the plan provides matching funds. Investigate individual options, such as IRAs, for additional planning opportunities. Why? One of the advantages of tax-deferred accounts is that investments that aren't reduced by taxes will grow and compound at a faster rate. Other advantages include the ability to control your withdrawal rate and the amount of any accompanying tax, and the opportunity to postpone recognition of

insurance policy, pre-date the "Affordable Care Act." But the rules are still in effect and you can still benefit.



## Here's an overview.

The basics. An HSA has two parts: a high-deductible health insurance policy and a medical savings account.

To qualify as a high-deductible policy for 2016, the minimum deductible must be \$1,300 (\$2,600 for family coverage) with a \$6,550 cap on out-of-pocket expenses (\$13,100 for family coverage).

In conjunction with purchasing a qualifying health insurance policy, you'll need to open a savings account with a bank or brokerage firm and begin making contributions. You use the money in your account to pay qualified medical costs.

The income tax benefits. Contributions to your HSA are deductible on your federal income tax return, even if you don't itemize. For 2016, you can put as much as \$3,350 (\$6,750 for family coverage) into your account. If you're age 55 or older, you can make additional annual catch-up contributions of up to \$1,000.

Earnings on the balance in your account, such as interest or dividends, grow tax deferred, and can be tax-free when withdrawals are used for qualified medical expenses.

Contact us if you're interested in learning more about HSAs. We'll help you evaluate the costs and benefits.

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## DID YOU GET AN IRS NOTICE? HERE'S WHAT TO DO

According to a 2016 report from the Treasury Inspector General for Tax Administration, the IRS mailed more than 188 million notices and letters to taxpayers during 2014. There's no reason to believe the number of notices will be slowing down anytime soon. If you're on the IRS mailing list, here's what to do.

Scan the heading. The first line, generally printed in bold type and centered beneath your name and address, will tell you why the IRS is contacting you.

Questions about missing information, additional taxes owed, or payments due mean you'll want to take prompt action to avoid more notices or assessments of interest and penalties.

Review the discrepancy. You'll find the tax form and the year to which the notice applies printed in the upper right corner. Pull out your copy of the corresponding tax return, along with the supporting documents, and compare what you filed with what the IRS is questioning.

Prepare your explanation. Are the proposed changes correct? Did the IRS misapply a payment? Whatever the issue, there's usually no need to file an amended return. However, the IRS typically wants a response, by either phone or mail, in order to clear the notice from your account.

Do not delay. Ignoring IRS correspondence will not make it go away. Reply to the IRS in a timely manner even if you don't have all the information being requested.

Please contact us when you receive a notice from the IRS or state or local taxing authority. We're here to help you resolve the matter as quickly as possible.



taxable income until retirement, when you'll likely pay tax at a lower rate.

"Establish a portfolio suited to your age and personality." As funds within your retirement accounts accumulate, establish an investment plan. Then follow your plan consistently, revising only enough to keep matters on course, correct for deviations, and respond to unexpected events.

"Track your portfolio and re-balance as needed." Maintain a balance among growth, income, and short-term investments, and adjust the ratios as you age. The standard rules of thumb: When you're under forty, you can choose to include growth investments in your portfolio. In your forties and fifties, you might want to become more conservative, shifting your balance toward income-generating investments such as high-dividend stocks.

"Once you're retired, plan your withdrawals so your funds will last the rest of your life." To avoid running out of funds, plan for a long retirement. Postpone withdrawals as long as possible, and pay them out carefully. Calculate a workable percentage to withdraw from your portfolio on an annual basis. Continue to revisit your investments each year to monitor and rebalance as needed.

A satisfactory retirement program requires planning, discipline, and monitoring. Wherever you are in the process, we're happy to help. Contact us for assistance.



## WANT TO HELP YOUR CHILD BUY A HOME?

If you have the funds and the desire to help your adult children buy a home, here are strategies to consider.

**Lending.** Assuming you have enough liquid assets, you can effectively act as the mortgage lender to your child by lending money to pay for the house.

**Gifting.** Another option is to give your child money for a down payment on a house. Making a gift for the down payment helps with estate planning too, if you're seeking to decrease the size of your estate. Under current tax law, you can make annual gifts of up to \$14,000 per person. If both you and your spouse join in the gifting, you can give up to \$28,000 with no gift tax liability.

With some planning, you can also make larger gifts. For instance, if your child is married, you can also make gifts to your in-law. Collectively, a married couple could receive \$56,000 in gift-tax-free cash for a home purchase. By making the gift over two years - say in December of year one and January of year two - you can double the amount to \$112,000 toward the cost of the home.

**Equity sharing.** One more alternative: Equity sharing, which is essentially joint ownership of the home. Typically, you'll provide the down payment, and your child makes the mortgage payments, and pays for utilities, taxes, and other ongoing expenses. The home is jointly owned, and all of you agree on an equitable split of the appreciation in value if the home is later sold.

For details on these and other options available to you, give us a call.

## WILL THE UPDATED OVERTIME PAY RULES AFFECT YOUR BUSINESS?

The Department of Labor released updated overtime pay regulations in May, and businesses are required to comply with the new rules by December 1, 2016. Are you ready?

Under overtime rules,





## COSIGNING A LOAN CAN HURT FINANCIALLY AND EMOTIONALLY

Cosigning a loan for a friend or family member may seem like a good way to help your loved one establish credit or get back on track financially. But be sure to use your head as well as your heart to make the decision. Why? When you agree to cosign a loan, you become equally responsible for the debt. That means you will have to make payments and satisfy the loan if your friend or family member doesn't or can't

- and a recent survey by an online credit card marketplace shows that 38% of cosigners had to repay some or all of a cosigned loan. Another financial impact: cosigning the loan negatively affected the credit score of 28% of cosigners because the other person didn't make payments or made them late. Cosigning has an emotional side too. According to the survey, 26% of cosigners said the experience damaged the relationship with the person they were trying to help.

Contact us before you make a financial commitment you may later regret. We have your best interests in mind.

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workers who meet certain requirements and who earn more than a specified salary

"threshold" generally don't qualify for overtime pay. The final rules increase the salary threshold, meaning you may need to pay overtime wages to employees who work more than 40 hours per week and earn less than the new amount.

The new initial threshold, effective December 1, 2016, is \$913 per week, or \$47,476 per year. That amount will be updated every three years, beginning in 2020. The rules say nondiscretionary bonuses and incentive payments can count toward as much as 10% of the threshold.

Now is the time to start reviewing your business's salary levels and payroll practices. Contact us for assistance.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff  
Couto DeFranco, P.A.



## EXCITING COUTO DEFRANCO NEWS:

We've been recognized as  
"Top Wealth Managers in NJ"

3rd Year in a Row!!





Nelson Couto CPA, CFP™  
Anthony DeFranco CPA, CFP™



CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

Anthony DeFranco, CPA, CFP™

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For Interesting Tax  
Facts and Small  
Business Updates, be  
sure to "Like Us"  
on Facebook!



## Nelson Couto and Anthony DeFranco honored with a recognition by NJ Monthly Magazine in its selection of "Top Wealth Managers In NJ 2016"

Nelson Couto, CPA, CFP® and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2015 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2016. Out of the 5063 wealth managers in New Jersey who were seriously considered for the award, 672 were named. This is their third time winning this prestigious award.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly, and proud that the work we have done for our clients has been recognized," says Anthony DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management. They combine their knowledge of financial planning with over 25 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting them with their financial goals and aspirations.

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner™ professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

*Starting a business? Tax Questions? Need Financial Planning?*

*Print out this certificate for a complimentary one-hour consultation.*

COUTO DEFRANCO, P.A.

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