

FINANCIAL FORECASTS, INC.

financial planning and tax preparation

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"UNINTENDED CONSEQUENCES"

Dear Clients:


The new 2018 tax law is making its debut this year. We had a constant tax system for more than 50 years with some annual tinkering. Good or bad it was the game we played for many years. The new tax law focuses on Schedule A (itemized deductions) limiting taxes and mortgage interest and dropping all miscellaneous deductions. Standard deductions move up and no personal exemptions are supposed to balance out some changes.

The law of unintended consequences will probably result in big changes, some not planned. Taxpayers will still be able to itemize deductions if they exceed the new standard deductions, but it cheapens the benefits of home ownership. The floor just got raised. Renting may become better than owning with increasing costs of home ownership. We are seeing: higher interest rates, real estate taxes escalation, lower deductions, and insurance bills growing with natural disasters affecting us all. Housing costs are moving up and benefits are capped, not a good combination. Rental properties will carry on as before, no changes.

Your best response will be to put maximum money into your deductible retirement contributions. Reduce your taxes before calculating your taxable income. Deductions are becoming less effective in tax planning. US Government constant money printing is reducing the spending power of the dollar, with no budget constraints and new tax cuts.

We have enclosed your 2018 Tax Organizer and encourage close attention to personal data, contact information and especially the "CHECKLIST". Please validate your address, phone number and email contacts. The checklist details all the items that were part of your 2017 tax filing, so you will need to provide each again or mark out those that no longer apply. Remember to detail any estimated payments you might have paid. We will need forms: W2, 1099's, 1098 mortgage, K-1, rental summary and business details if applicable. You must keep your supporting documents for 3 prior years (we recommend 5 years). Please provide direct deposit information for possible refunds. Early filing is encouraged as it limits your exposure to identity theft with tax returns. The government shutdown will slow tax processing and states will be more aggressive as their income tax has become more expensive.

We appreciate your business and look forward to helping you achieve financial success. Any questions, call us. Get the facts on tax from the professionals. We have Saturday appointments up until February 23, 2019. HAPPY NEW YEAR!


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