YEAR-END TAX PLANNING OPPORTUNITIES

These important tax and financial planning moves can help prepare you for the upcoming tax season and better align your portfolio with your short- and long-term goals.

2016

KEY TAKEAWAYS

While tax and financial planning should take place all year long, there are several actionable strategies to consider before year-end IRS deadlines.

Important life events can have financial implications and should be discussed with your tax and financial advisors.

Certain investments generate more taxable distributions than others, so work with your advisor and tax professionals to evaluate your investments and after-tax returns.

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INTRODUCTION

For those considering tax moves, you generally have to take action before the clock strikes midnight on New Year's Eve. With deadlines fast approaching, now's the time to take advantage of tax-deferred growth opportunities, tax-advantaged investments and charitable-giving opportunities, among other strategies. You'll also want to maximize deductions and credits ahead of tax season. Reviewing your investments in light of your goals, the tax environment and the economic landscape can help you and your advisor see where adjustments need to be made to position yourself for 2017 and beyond.

KEY DATES TO REMEMBER

10/17/2016 – Deadline to file and pay your 2015 personal income tax return if you received an extension.

10/17/2016 – Deadline to recharacterize 2015 Roth IRA conversions.

12/31/2016 – Last day to sell securities to realize a gain or loss.

12/31/2016 – Last day to complete charitable contributions for 2016; be sure you allow enough time to complete donations that may require additional lead time.

01/17/2017 – Estimated tax payment due.

02/01/2017 – Deadline for employers to send W-2s/1099s to individuals.

02/16/2017 – Deadline for financial institutions to send 1099s to individuals (delayed 1099s will be sent 30 days after).

04/17/2017 – Deadline to file individual income tax return or file for an extension with the IRS.

04/17/2017 – Last day to contribute to traditional and Roth IRAs for 2016.

December 31, 2016 falls on a Saturday, so keep in mind some transactions may need to occur by December 30, 2016.

MOVES TO CONSIDER

Here are important items to think about in each of the major planning categories. Keep in mind the ideas listed here are simply conversation starters; you and your advisor should determine next steps for your situation.

INCOME TAX PLANNING

1. **Determine if it makes sense to accelerate or defer income** (e.g., a bonus, severance or retirement payments).

   TIP Deferred compensation strategies in qualified plans, such as a 401(k), and non-qualified plans, like a supplemental employee retirement plan (SERP), are an excellent way to defer or minimize income taxes over the long term. You can defer compensation into future years when your income may be lower, you may have more deductions or tax rates may be lower due to legislative changes.

2. **Consider adding margin capabilities or establishing a securities-based line of credit (SBLC)** in case an unexpected expense arises, so you won't have to sell taxable securities.[1]

   TIP By borrowing from a margin loan or SBLC, you can delay the need to sell assets that may generate capital gains and perhaps earn a return that more than offsets the interest on the loan.

3. **Evaluate your income sources to reduce the overall tax impact.**

INCOME TYPE	TAXATION
Earned income	Marginal income tax rate
Corporate bonds	Marginal income tax rate
Qualified dividends	Long-Term capital gains rate
Municipals	Exempt from federal and in many cases state income taxes in their state of issue[2]

4. **Consider rebalancing your portfolio** to include more tax-advantaged investments, such as municipal bonds or dividend-paying stocks, especially in higher tax brackets.

   TIP When rebalancing, consider using new money coming into the account instead of selling certain investments to avoid unnecessary capital gain taxes.

[1] Margin or a securities based line of credit may not be suitable for all clients. Borrowing on securities based lending products and using securities as collateral may involve a high degree of risk. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to deposit additional securities and/or cash in the account(s) or pay down the loan. The securities in the pledged account(s) may be sold to meet the margin call, and the firm can sell the client's securities without contacting them. The interest rates charged for a securities based line of credit are determined by the market value of pledged assets and Capital Access. The interest rates charged for margin are determined by the amount borrowed. For additional information on margin, visit http://sec.gov/investor/pubs/margin.htm.

[2] While interest on municipal bonds is generally exempt from federal income tax, keep in mind that it may be subject to the federal alternative minimum tax, state or local taxes. Profits and losses on federally tax-exempt bonds may be subject to capital gains tax treatment. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Dividends are not guaranteed and will fluctuate.

Securities based line of credit provided by Raymond James Bank. Raymond James & Associates, Inc. and Raymond James Financial Services, Inc. are affiliated with Raymond James Bank.

INVESTMENT TAX PLANNING

1. **Review your portfolio's tax efficiency.** Simply put, tax efficiency is measured by how much of an investment's return remains after taxes are paid. Certain investments generate more taxable distributions than others. Work with your advisor and accountant to evaluate your investments and after-tax returns.

   > **TIP** Review your portfolio's turnover ratio and historical distributions to get a sense of your annual tax liability, and take steps to add more tax-efficient investments, such as mutual funds or separately managed accounts, to minimize taxes.

2. **Find out if you're subject to higher capital gains and dividend taxes, currently 20% for those in the 39.6% bracket.** Individuals earning more than $200,000 a year and joint filers earning more than $250,000 a year are also subject to a 3.8% Medicare surtax on investment income, as well as a 0.9% surtax on wages and self-employment income in excess of the same thresholds.

   > **TIP** Tax-deferred growth is even more advantageous when taxes are higher.

3. **Work with your tax advisor to determine when you should realize long-term gains and/or harvest capital losses.** Offset investment gains with losses, as appropriate, to reduce your overall tax liability, including the new Medicare surtax. However, be aware of "wash sale" rules that stop you from deducting capital losses on the sale of a particular security if you initiate a similar position within a 61-day period (30 days before the sale date and 30 days after the sale date). The rules apply across your portfolio, in both taxable and non-taxable accounts, so you can't liquidate a position in one account and establish a similar position in your IRA, for example.

"WASH SALE" RULES

You can't deduct capital losses on the sale of a particular security if you initiate a similar position within a 61-day period.

4. **Trustees of irrevocable trusts may want to consider distributing all or most trust income to beneficiaries.** Income retained in the trust could be subject to the 3.8% surtax since trusts have a low threshold for the surtax (only $12,400 for 2016) compared to the individual modified adjusted gross income (MAGI) threshold of $200,000 for single filers and $250,000 for married filers. It's important to note, however, that decisions should be made within the boundaries of the trust's governing instrument and state law.

> **TIP** Rather than accumulating income inside the trust, distribute the income (in line with trust terms and fiduciary duties) to beneficiaries, particularly those below the MAGI thresholds. This essentially shifts the income and the resulting income tax burden from the trust/estate to the beneficiary, and the surtax is avoided on that income amount, assuming the beneficiary is below the MAGI threshold.

PAPER WORK

Here are a few documents you'll need to get organized while tax planning.

- ☐ Copies of 2014 and 2015 income tax returns
- ☐ W-2/1099s from your employer(s)
- ☐ Brokerage statements (1099-B) and any statements showing investment purchase/sale dates
- ☐ Dividend and interest statements (1099-DIV, 1099-INT and 1099-OID)
- ☐ Social Security statement (1099-SSA) and/or retirement distributions (1099-R), if applicable
- ☐ Statements reporting profits from partnerships, trusts and small businesses (K-1), if applicable
- ☐ Mortgage interest statements (1098)
- ☐ Student loan interest statements (1098-E), if applicable

RECEIPTS OR PROOF OF:

- ☐ Charitable gifts
- ☐ Medical/dental expenses
- ☐ Moving expenses
- ☐ Daycare/childcare costs
- ☐ Education expenses

TAX-DEFERRED GROWTH OPPORTUNITIES[3]

QUALIFIED PLANS

Defer up to $18,000 a year, $24,000 if you're age 50 or over, into a 401(k) or 403(b) plan.

INDIVIDUAL RETIREMENT ACCOUNTS

You may be able to deduct IRA contributions, even if you participate in a retirement plan at work, if your modified adjusted gross income (MAGI) is less than $71,000 for individuals or $118,000 for joint filers. The maximum contribution to a traditional or Roth IRA in 2016 is $5,500; $6,500 if you're age 50 or over.

ANNUITIES

Annuities offer an opportunity for tax-deferred growth on assets.

LIFE INSURANCE

Accumulating cash value in life insurance can offer tax-deferred growth and tax-advantaged retirement income.

[3] Any withdrawals may be subject to income taxes and prior to age 59 1/2, a 10% federal penalty tax and state penalty taxes may apply to the taxable amount.

RETIREMENT PLANNING

1. **Maximize your retirement contributions** to take advantage of tax-deferred growth if you're still working. Many companies allow you to arrange automatic contributions each pay period.

2. **Determine if you need to take required minimum distributions** from your retirement plan accounts or IRAs. For those who are charitably inclined, the "qualified charitable distribution" tax rule just became permanent. It allows traditional IRA owners over age 70.5 to donate up to $100,000 of their required minimum distributions to qualified charitable organization.

3. **Consider whether you're using municipal bonds** for federally tax-exempt income.

4. **Evaluate the benefit of a Roth conversion.** Though Roth IRAs have the potential to grow tax-free and withdrawals aren't mandatory during the lifetime of the original owner, a conversion to a Roth IRA results in taxation of any untaxed amounts in the traditional IRA from which you're converting.

> **TIP** Be sure to discuss the pros and cons with your financial advisor and tax professional.

RETIREMENT CONTRIBUTION LIMITS

The 401(k) limits are $18,000 a year into qualified plans; $24,000 if you're 50 or older. IRA contributions are limited to $5,500 (or $6,500 if you're over 50). IRA contributions may also be tax deductible if your modified adjusted gross income is under $71,000 for individuals or $118,000 for joint filers.

FINANCIAL PLANNING

While each individual's needs are unique, many people have similar planning objectives – whether to ensure they have the income they need today, to plan for retirement tomorrow or to grow their assets.

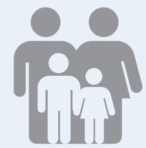
1. **Discuss important life changes with tax and financial advisors.** Whether you expect a new addition to the family or want to build a new addition to your house, they can help you with the financial implications. When it comes to your financial plan, what is most critical is establishing your short- and long-term goals, planning accordingly and stress testing your plan under different scenarios. As this is an ongoing process, make some time throughout the year to have planning conversations with your financial advisor.

2. **Review your asset allocation to ensure it's still geared toward your goals and tolerance for risk.** Risk tolerance isn't static – it changes based on your net worth, age, income needs, financial goals and various other considerations. Review your holdings and your overall asset allocation[4] then make adjustments and rebalance as necessary. Don't forget to do this for your company-sponsored retirement accounts, too. Set it and forget it shouldn't be the default for your 401(k) investments.

   > **TIP** Certain investments may be better suited for certain account types from a tax standpoint. Be sure to discuss with your tax professionals.

3. **Discuss with your financial advisor and determine if you need to take required minimum distributions (RMD) from your retirement accounts.** Make sure to recalculate the RMD each year.

4. **Stay organized and informed to make tax time easier.** Put your tax return and supporting records in a safe place. This can ease the process when you apply for a home loan or financial aid, or when you need a guide for filing next year's taxes. Subscribe to IRS Tax Tips to receive brief emails about tax law changes each weekday in the tax filing season and three days a week during the summer.



MAJOR LIFE EVENTS

Birth	Divorce
Death	Job changes
Marriage	Inheritance

[4] Asset allocation does not guarantee a profit nor protect against loss.

ESTATE PLANNING AND CHARITABLE GIVING

1. **Review and update estate plans and documents.**

2. **Review the titling on all your accounts and property,** as well as the beneficiary designations to ensure they reflect your current wishes and family dynamics.

3. **Capitalize on the annual $14,000 gift tax exclusion.** The lifetime exemption for single filers was raised to $$5.45 million.

4. **Give, but do so with an eye toward reducing your tax liability.** Consider whether a trust or a donor-advised fund helps you meet your legacy and tax-savings objectives.

5. **Think strategically about your charitable contributions.** Transferring or gifting assets to a trust for the benefit of an heir while living allows you to outline your wishes for distribution and offers several advantages:
   - Future appreciation of these assets is removed from your estate
   - Income may be shifted to beneficiaries in a lower income tax bracket
   - Transferred assets may be protected from potential creditors, lawsuits or divorce proceedings

ESTATE PLANNING AND CHARITABLE GIVING TIPS

Charitable giving can reduce your tax burden and also can provide a sense of satisfaction by benefiting your favorite causes.

- Give appreciated securities that you've held for more than 12 months to avoid capital gains and reduce or eliminate net investment income.
- Establish a donor advised fund to make future donations and claim the current income tax deduction.
- Contribute highly appreciated assets to a charitable remainder trust (CRT) to defer recognition of income over time.

EDUCATION

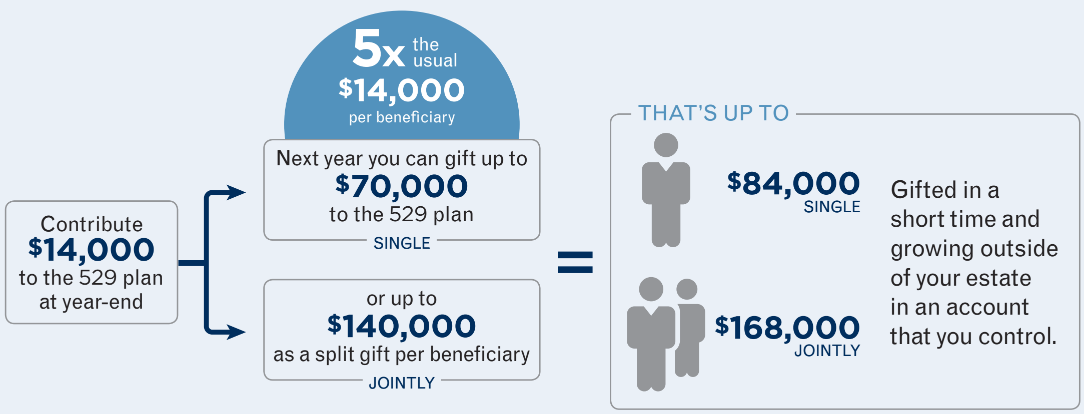
1. **Explore your education funding options,** which include 529s, Coverdell Education Savings Accounts, and to a lesser degree UTMA accounts, which offer wider investment options but fewer tax benefits and less control. If you haven't already established one of these accounts, consider doing so now and contributing a gift before year-end. If you have, consider fully funding existing education savings accounts, preferably in a tax-deferred plan, for your children or grandchildren. Starting early and saving often may be your best bet.

2. **Superfund your 529 plan account**. Take full advantage of the $14,000 annual gift tax exclusion amount by gifting into a 529 account before year-end. For married couples, the gift tax exclusion amount is $28,000.

3. **Discuss alternative ways to fund future education** with your financial advisor. In some cases, you can withdraw funds from an IRA, borrow against an employer-sponsored retirement savings plan or use life insurance monies to pay for higher education.

ACCELERATED FIVE-YEAR GIFTING OPPORTUNITY UNIQUE TO 529 PLANS

With contributions to section 529 plans, there is an accelerated gift option that allows a donor to average gifts that exceed the limits over a five-year period without incurring federal gift tax.



BUSINESS OWNERS

1. **Get organized** by first making sure your accounting records are updated and accurate.

2. **As a solo entrepreneur, consider contributing to a retirement plan,** like a SEP IRA or SIMPLE plan, if you qualify.

   > **TIP** Consider establishing a nonqualified defined contribution (NQDC) plan in addition to a defined benefit pension plan to help defer taxes on growth investments.

3. **Think about how you'd like to expand or improve your business** in the next 12 months. Whether it's an acquisition or new equipment, there will be financial implications and tax considerations involved.

4. **Review the potential impact of healthcare reform on your business.** If your business has more than 50 full time employees, be aware that you may face penalties if you do not offer health benefits.

WORK WITH YOUR FINANCIAL ADVISOR

Get organized
Collect all important tax and financial documents to prepare for a thorough year-end review.

Make necessary adjustments
Think strategically about what changes need to be made to best position you to achieve your goals.

Be open
Discuss all aspects of your financial life, including any major changes you anticipate.

Take action
And do so before year-end.

Despite what may be happening in the markets and the overall economy, there are several key actions you can take at year-end to help you get a better grasp of where you stand financially. A year-end review with your professional advisors also helps ensure you're on track to meet your goals and helps identify areas in need of adjustment so your plan can evolve as your life does.

Take the time now to talk about those changing needs, so you and your advisors fully understand where you are and where you want to go.

LIFE WELL PLANNED.

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