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[2018 IRS Contribution Limits]

4th Quarter 2018

Millennium Financial Focus

Financial Education for Plan Participants

Down the Donut Hole: The Medicare Coverage Gap

One of the most confusing Medicare provisions is the prescription drug coverage gap, often called the "donut hole." It may be clearer if you consider the gap within the annual "lifecycle" of Medicare Part D Prescription Drug Coverage. This also applies to drug coverage that is integrated into a Part C Medicare Advantage Plan.

Annual deductible. Prescription drug plans typically have an annual deductible not exceeding $405 in 2018. Before reaching the deductible, you will pay the full cost of your prescriptions, although you may receive negotiated discounts.

Initial coverage period. After you meet the annual deductible, your plan will pay a portion of your prescription drug costs, and you will typically have a copayment or coinsurance amount. A 25% coinsurance amount is the standard coverage required by Medicare, but most plans have different levels or "tiers" of copayments or coinsurance for different types of drugs.

Coverage gap. When you and your plan combined have spent a specified amount on drugs for the year ($3,750 in 2018), you enter the coverage gap. In 2018, you pay 35% of your plan's price for covered brand-name prescription drugs and 44% of the price for generic drugs. The gap is closing over the next two years (see chart).

You remain in the coverage gap until you reach an annual out-of-pocket spending limit ($5,000 in 2018). Spending that counts toward the limit includes your deductible, copay, and coinsurance; the manufacturer's discount on brand-name drugs in the coverage gap; and your out-of-pocket payments in the gap. It does not include your premiums, the amount the plan pays, or your payments for noncovered drugs.

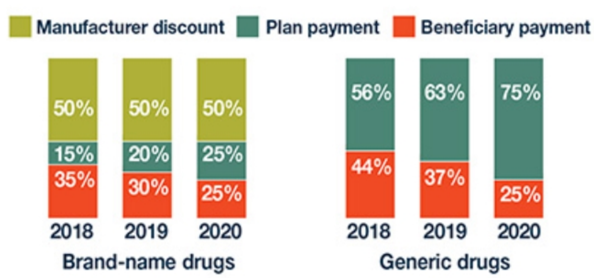
Catastrophic coverage. Once you have reached the out-of-pocket limit, you receive catastrophic coverage with much lower payments. In 2018, you would pay the greater of 5% of drug costs or $3.35/$8.35 for each generic and brand-name drug, respectively.

Some plans have more generous coverage in the gap. You may be able to avoid the coverage gap by using generic medicine, when appropriate, to lower your drug costs.

For more information, see [Medicare.gov.]

CLOSING THE GAP

Beginning in 2013, the Affordable Care Act required drug manufacturers to provide a 50% discount on brand-name drugs, and since then the percentage that beneficiaries must pay has been gradually reduced. By 2020, beneficiaries will pay no more than the standard 25% coinsurance amount for all covered drugs, effectively ending the coverage gap.



Source: Centers for Medicare & Medicaid Services, 2017

Ten Year-End Tax Tips for 2018

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

2. Defer income to next year

Consider opportunities to defer income to 2019, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year, instead of paying them in early 2019, could make a difference on your 2018 return.

4. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2018, prepaying 2019 state and local taxes probably won't help your 2018 tax situation, but could hurt your 2019 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help save you from making a costly mistake.

5. Bump up withholding to cover a tax shortfall

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (via Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly through the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments. With all the recent tax changes, it may be especially important to review your withholding in 2018.

6. Maximize retirement savings

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2018 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified adjusted gross income (AGI) exceeds $200,000 ($250,000 if married filing jointly, $125,000 if married filing separately, $200,000 if head of household).

10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.

Timing of itemized deductions and the increased standard deduction

The Tax Cuts and Jobs Act, signed into law in December 2017, substantially increased the standard deduction amounts and made significant changes to itemized deductions, generally starting in 2018. (After 2025, these provisions revert to pre-2018 law.) It may now be especially useful to bunch itemized deductions in certain years; for example, when they would exceed the standard deduction.

IRA and retirement plan contributions

For 2018, you can contribute up to $18,500 to a 401(k) plan ($24,500 if you're age 50 or older) and up to $5,500 to a traditional or Roth IRA ($6,500 if you're age 50 or older). The window to make 2018 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return (not including extensions) to make 2018 IRA contributions.

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Reviewing Your Estate Plan

An estate plan should be reviewed periodically, especially after a major life event. Here are some ideas about when to review your estate plan and some things to review when you do.

An estate plan is a map that explains how you want your personal and financial affairs to be handled in the event of your incapacity or death. Due to its importance and because circumstances change over time, you should periodically review your estate plan and update it as needed.

When should you review your estate plan?

Reviewing your estate plan will alert you to any changes that need to be addressed. For example, you may need to make changes to your plan to ensure it meets all of your goals, or when an executor, trustee, or guardian can no longer serve in that capacity. Although there's no hard-and-fast rule about when you should review your estate plan, you'll probably want to do a quick review each year, because changes in the economy and in the tax code often occur on a yearly basis. Every five years, do a more thorough review.

You should also review your estate plan immediately after a major life event or change in your circumstances. Events that should trigger a review include:

- There has been a change in your marital status (many states have laws that revoke part or all of your will if you marry or get divorced) or that of your children or grandchildren.
- There has been an addition to your family through birth, adoption, or marriage (stepchildren).
- Your spouse or a family member has died, has become ill, or is incapacitated.
- Your spouse, your parents, or another family member has become dependent on you.
- There has been a substantial change in the value of your assets or in your plans for their use.
- You have received a sizable inheritance or gift.
- Your income level or requirements have changed.
- You are retiring.
- You have made (or are considering making) a change to any part of your estate plan.

Some things to review

Here are some things to consider while doing a periodic review of your estate plan:

- Who are your family members and friends? What is your relationship with them? What are their circumstances in life? Do any have special needs?
- Do you have a valid will? Does it reflect your current goals and objectives about who receives what after you die? Is your choice of an executor or a guardian for your minor children still appropriate?
- In the event you become incapacitated, do you have a living will, durable power of attorney for health care, or Do Not Resuscitate order to manage medical decisions?
- In the event you become incapacitated, do you have a living trust or durable power of attorney to manage your property?
- What property do you own and how is it titled (e.g., outright or jointly with right of survivorship)? Property owned jointly with right of survivorship passes automatically to the surviving owner(s) at your death.
- Have you reviewed your beneficiary designations for your retirement plans and life insurance policies? These types of property pass automatically to the designated beneficiaries at your death.
- Do you have any trusts, living or testamentary? Property held in trust passes to beneficiaries according to the terms of the trust. There are up-front costs and often ongoing expenses associated with the creation and maintenance of trusts.
- Do you plan to make any lifetime gifts to family members or friends?
- Do you have any plans for charitable gifts or bequests?
- If you own or co-own a business, have provisions been made to transfer your business interest? Is there a buy-sell agreement with adequate funding? Would lifetime gifts be appropriate?
- Do you own sufficient life insurance to meet your needs at death? Have those needs been evaluated?
- Have you considered the impact of gift, estate, generation-skipping, and income taxes, both federal and state?

This is just a brief overview of some ideas for a periodic review of your estate plan. Each person's situation is unique. An estate planning attorney may be able to assist you with this process.

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Can the federal funds rate affect the economy?

The Federal Open Market Committee (FOMC) is the policymaking branch of the Federal Reserve. One of its primary responsibilities is setting the federal funds target rate. The FOMC meets eight times per year, after which it announces any changes to the target rate. The Federal Reserve (the Fed), through the FOMC, uses the federal funds rate as a means to influence economic growth.

If interest rates are low, the presumption is that consumers can borrow more and, consequently, spend more. For instance, lower interest rates on car loans, home mortgages, and credit cards make them more accessible to consumers. Lower interest rates often weaken the value of the dollar compared to other currencies. A weaker dollar means some foreign goods are costlier, so consumers will tend to buy American-made goods. An increased demand for goods and services often increases employment and wages. All of which should stimulate the economy. This is essentially the course the FOMC took following the 2008 financial crisis in an attempt to spur the economy.

However, if money is too plentiful, demand for goods may exceed supply, which can lead to increasing prices. As prices increase (inflation), demand for goods decreases, slowing overall economic growth. When the economy recedes, the need for labor decreases, unemployment grows, and wage growth slows. To counteract rising inflation, the Fed raises the target rate. When interest rates on loans and mortgages move higher, money becomes more costly to borrow. Since loans are harder to get and more expensive, consumers and businesses are less likely to borrow, which slows economic growth and reels in inflation.

The Fed monitors many economic reports that track inflationary trends and economic growth. The Fed's preferred measure of inflation is the Price Index for Personal Consumption Expenditures produced by the Department of Commerce. To forecast economic growth, the Fed looks at changes in gross domestic product and the unemployment rate, along with several other economic indicators, such as durable goods orders, housing sales, and business fixed investment.

Source: Federal Reserve, 2018

How can I safely shop online this holiday season?

Shopping online is especially popular during the holiday season, when many people prefer to avoid the crowds and purchase gifts with a few clicks of a mouse. However, with this convenience comes the danger of having your personal and financial information stolen by computer hackers.

Before you click, you might consider the following tips for a safer online shopping experience.

Pay by credit instead of debit. Credit card payments can be withheld if there is a dispute, but debit cards are typically debited quickly. In addition, credit cards generally have better protection than debit cards against fraudulent charges.

Maintain strong passwords. When you order through an online account, you should create a strong password. A strong password should be at least eight characters long, using a combination of lower-case letters, upper-case letters, numbers, and symbols or a random phrase. Avoid dictionary words and personal information such as your name and address. Also create a separate and unique password for each account or website you use, and try to change passwords frequently. To keep track of all your password information, consider using password management software, which generates strong, unique passwords that you control through a single master password.

Beware of scam websites. Typing one word into a search engine to reach a particular retailer's website may be easy, but it sometimes won't bring you to the site you are actually looking for. Scam websites may contain URLs that look like misspelled brand or store names to trick online shoppers. To help you determine whether an online retailer is reputable, research sites before you shop and read reviews from previous customers. Look for *https://* in the URL and not just *http://,* since the "s" indicates a secure connection.

Watch out for fake phishing and delivery emails. Beware of emails that contain links or ask for personal information. Legitimate shopping websites will never email you and randomly ask for your personal information. In addition, be aware of fake emails disguised as package delivery emails. Make sure that all delivery emails are from reputable delivery companies you recognize.