



The Mosaic Financial Group LLC

Your Wealth Management Partner

Four Tax-Wise Ways To Donate Gifts To Charity

How can you donate to charity? Let us count the ways. Although there are many variations on these themes, there are four basic paths for making contributions to charitable organizations that let you take tax deductions while pursuing your philanthropic goals. They are:

1. Direct contributions: This is the easiest method. You simply write a check or make an online donation. If you're giving tangible property, such as artwork, you'll need to deliver it physically to the charitable group. Most such contributions are fully deductible on your tax return, but there could be limitations on the size of your write-off based on your adjusted gross income (AGI) for the year:

- Contributions to public charities are limited to 50% of your AGI.
- Contributions of appreciated property (for example, publicly traded stocks) to public charities can't exceed 30% of your AGI.
- Contributions of appreciated property to private foundations are limited to 20% of your AGI.

But in all of these cases any amount that exceeds the limits can be claimed on the following year's return, and such "carryovers" may continue for up to five years.

2. Donor-advised funds: With a donor-advised fund, you give your money to a fund that's set up with an institutional partner. There might be a minimum contribution amount, and the fund may charge fees to cover its costs. But one big advantage of this approach is that you can make a donation to the fund and get an immediate tax deduction and then decide later where you want your money to go.

Once you choose to give a specified amount to a particular charity, the fund will verify that the organization is eligible to receive tax-deductible contributions. Once your grant is approved, the money goes to the group with an indication that it

was made on your recommendation. You also can request that your gift be made anonymously.

3. Charitable gift annuities: This approach is somewhat more sophisticated than direct gifts and donor-advised funds. A charitable gift annuity is a contract between a donor and a charity. You agree to transfer money, securities, or other assets to the organization, which in turn agrees to make specified payments to "annuitants"—usually you or you and someone else you designate.

What are the tax consequences? As the donor, you're entitled to a



Spotlight On... Heike Sasak

Hello, my name is Heike Rudolph-Sasak. I am a tax accountant at The Mosaic Financial Group, having joined



Mosaic in February of 2016. Working at Mosaic has been a great experience because of the bright and enthusiastic individuals that

I have the pleasure to work with.

Before Mosaic, I worked at a boutique law firm in the city that specializes in estate planning and tax preparation. There, I was exposed to a variety of situations and planning techniques that make me a well-rounded tax professional.

I grew up in a small town in Germany and came to the U.S.A after finishing an apprenticeship for business administration. In 2005, I completed my Bachelor's degree in accounting at Benedictine University in Lisle, IL. Recently, I was given the opportunity to temporarily work both on site and remotely from Germany. While working remotely, my family and I were able to embrace the life abroad and enjoy the offerings of living in Europe and taking care of family at the same time.

I currently live in the Chicago suburbs with my husband and son. In my spare time I enjoy outdoor activities, biking and reading.

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How Now, Dow Jones Industrials?

You see it reported every day in the financial news: The Dow Jones Industrial Average (DJIA). And the Dow made headlines back on October 17, 2017, when it cracked the 23,000-point mark for the first time in its history. But what exactly is the DJIA and what do the fluctuations in points really mean?

The DJIA is a long-time barometer for the way the stock market is moving although it's not the only one, and it may not be the best measure of the thousands of stocks listed on the major exchanges. Some experts consider the Standard & Poor's (S&P) 500 and the NASDAQ to be more reliable indicators.

Nevertheless, even if you don't put much store into whether the DJIA goes up or down on a given day, it does have an interesting history.

The Dow measures the movements of just 30 stocks. Traditionally, those have included the "blue-chip" companies considered to be the bedrock of the American economy. So, when the DJIA finally punched through the 23,000-point mark, it may have seemed like a triumph for the economy as a whole.

The roots of today's DJIA can be traced back to before 1900. Charles Dow, co-founder of *The Wall Street Journal*, simply added up the closing prices of one share of each of a dozen companies he had selected to measure, and then divided the total by 12 to arrive at a daily average. Subsequently, the list was expanded to include 30 of the top industrial companies, with the daily average computed by dividing the total price of those stocks by 30.



But the math became trickier over time as stocks began to split and share prices became skewed. The solution to keep the DJIA going was to make periodic adjustments in the

figures in order to keep the average historically consistent. Despite this change, this indicator still is referred to as an "average," although these days it isn't.

What's more, the ever-changing list is no longer limited to industrials. It now includes major retailers, technology companies, and financial services firms.

Also, of course, the percentage gains grow smaller as the total number of points goes higher. For instance, when the Dow reached the 6,000-point level more than 20 years ago, that represented a 20% increase from the 5,000-point mark. But the jump from 22,000 points to 23,000 points, another 1,000-point gain, was just a 4.5% increase.

In any event, don't discount the psychological and emotional impact that swings up and down in the Dow may have. You can't help hearing it on the news every day and it often affects investor judgment, especially when the economy is in turmoil or is booming. ●

Watch Out For "Grandparent Scams"

It started innocently enough. Bill Frieland picked up the phone one recent morning at around 10 am. The person on the line said, "Hi Grandpa, it's Jason." To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then "Jason" dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed \$1,950 to keep his name out of the records. An attorney who was supposedly advising

him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.

Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any

accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this "grandparent scam," but many others haven't been as lucky.



10 Common Questions About Social Security

If you're nearing retirement or you recently retired, you probably have plenty of questions about Social Security retirement benefits. Here are answers to 10 common queries posted online by the Social Security Administration (SSA).

Q1. How do I obtain a replacement Social Security card?

A. You can get an original Social Security card or a replacement card if yours is lost or stolen for free. Generally, all you have to do is submit the request to the SSA online. However, in some states, you must show additional documentation. Visit the SSA website for more information.

Q2. How do I change or correct my name on my Social Security number card?

A. If you're legally changing your name because of marriage, divorce, court order, or for any other reason, promptly notify the SSA and obtain a corrected card. This service is also free. Simply follow the procedures for getting a replacement card.

Q3. What are the ramifications if I receive Social Security retirement benefits while I'm still working?

A. If you haven't reached full retirement age (FRA) and you earn more than a specified annual limit, your benefits are reduced under this "earnings test" as follows:

- If you're under FRA for the entire year, you forfeit \$1 in benefits for every \$2 you earn that exceeds the annual limit. For 2017, that ceiling

is \$16,920.

- In the year in which you reach FRA, you forfeit \$1 in benefits for every \$3 earned above a separate limit, but only for what you earn before the month in which you reach FRA. For 2017, this limit is \$44,880.

Beginning with the month in which you reach FRA, you can receive benefits that won't be affected by whatever you may earn.

Q4. What is my FRA?

A. It depends on the year in which you were born. The FRA gradually increases from age 65 for those born in 1937 or earlier to age 67 for those born in 1960 and after. The FRA for Baby Boomers born between 1943 and 1954 is age 66.

Q5. Can I collect benefits if I retire before my FRA?

A. Yes. You can retire and apply for benefits as early as age 62, but your monthly benefits will be reduced by as much as 30% in that case.

Q6. Are benefits increased if I wait to apply until after my FRA?

A. Yes. You can receive increased monthly benefits by applying for Social Security after reaching FRA. The benefits may increase by as much as 32% if you wait until age 70. After age 70, there is no further increase. Visit the SSA website to figure out the exact amount of your "early" and "late" benefits.

Q7. How do I apply for Social Security retirement benefits?

A. You should apply for retirement benefits three months before you want your payments to start. The easiest and most convenient way to apply is to use the online application. Note that the SSA may request certain documents to verify your eligibility.

Q8. How do I handle benefits for an incapacitated person?

A. If your elderly parent or someone else who is entitled to receive Social Security benefits needs help in managing those benefits, contact your local Social Security office about becoming that person's representative payee. Then you assume the responsibility for disbursing the funds for that person's benefit.

Q9. Who is entitled to receive Social Security survivors' benefits?

A. A spouse and children, or both, of someone who has died may be in line for benefits based on that person's earnings record. Visit the SSA website for more details. Survivors must apply for this payment within two years of the date of death.

Q10. Are Social Security benefits subject to tax?

A. Yes, but not everyone is liable. You are taxed on Social Security benefits under a complex formula if your provisional income (PI) exceeds the thresholds within a two-tier system. PI is the total of (1) your adjusted gross income (AGI), (2) your tax-exempt interest income, and (3) one-half of the Social Security benefits you received.

- For a PI between \$32,000 and \$44,000 (\$25,000 and \$34,000 for single filers), you're taxed on the lesser of one-half of your benefits or 50% of the amount by which PI exceeds \$32,000 (\$25,000 for single filers).
- For a PI exceeding \$44,000 (\$34,000 for single filers), you're taxed on 85% of the amount by which PI exceeds \$44,000 (\$34,000 for single filers) plus the lesser of the amount determined under the first tier or \$6,000 (\$4,500 for single filers).

In many cases, these answers will lead to even more questions. The SSA website is helpful, but you may need additional guidance for your personal situation. Don't hesitate to contact us for assistance. ●

Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.
- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at ftc.gov/complaint or call 877-FTC-HELP. ●

This Tax-Free Rollover Goes Right To Charity

The tax law provides a unique planning opportunity for retirees who have to take required minimum distributions (RMDs). You're allowed to transfer funds directly from your traditional IRA to a qualified charitable organization without paying any federal income tax on the distribution. Although the contribution isn't tax deductible, it does count toward your RMD for the year.

This tax break—sometimes called a “charitable rollover”—had expired and been reinstated several times. Thanks to the Protecting Americans from Tax Hikes (PATH) Act of 2015, however, the tax provision is now permanent.

Under the PATH Act, someone who's at least age 70½—the age at which RMDs must begin—can instruct an IRA custodian to move up to \$100,000 of funds from that person's IRA to a favorite charity. A married couple can transfer up to \$200,000, assuming they're both old enough to begin taking RMDs.

Can't you accomplish the same result by taking a taxable IRA distribution and then donating that

amount to charity? Not exactly. There are several other factors to consider, including annual limits on deductions for donations to charity, plus potential tax return complications. What's more, the direct rollover is valuable to non-itemizers who aren't eligible to deduct charitable contributions. And this method is simpler.

There are, however, a few more details to attend to with this approach.

To qualify for the tax exclusion, the distribution must be made directly from the IRA trustee to a qualified charitable organization.

You're not allowed to use the funds temporarily before transferring them to the charity's coffers.

In addition, the contribution must otherwise qualify as a charitable donation. If the deductible amount decreases because of a benefit received in return — for example, the value of a dinner at a fundraiser — or the

deduction would not be allowed due to inadequate substantiation, you can't take the exclusion.

A bonus is that you're required to start taking RMDs in the year after the year in which you turn age 70½. If you take a charitable rollover, you can meet this obligation without paying the usual tax on an IRA distribution.

This tax law provision also applies to Roth IRAs, though it may not be advisable to take this approach with a Roth. Roth IRA distributions to account holders over age 59½ are usually tax-free, and it doesn't make sense to use money that

isn't taxed to make a donation that isn't deductible. But a portion of a distribution may be taxable if your Roth hasn't been in existence for at least five years. In that case, it might be reasonable to transfer the taxable amount directly to a charity. ●



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charitable deduction in the year you make your donation to the charity that is adjusted to account for the expected payments you'll receive, based on your life expectancy and other factors.

4. Charitable trusts: There are two main types to consider: the charitable remainder trust (CRT) and the charitable lead trust (CLT).

With a CRT, you set up the trust and transfer selected assets to it. The charity often acts as the trustee and manages the assets. During the trust term, you (or another beneficiary or beneficiaries you specify) receive regular payments from the trust. The CRT may last for a term of specified

years or your lifetime. Finally, when the trust ends, the remaining assets from your contribution (the remainder) go to the charity. You get a current tax deduction based on the projected value of that remainder.

A CLT works the opposite way.



You still transfer assets to the trust, but annual payments go to the specified charity, and the remainder at the end of the trust term goes to the beneficiaries you designated.

Regardless of whether you use a CRT or a CLT, the annual payments may be based on a fixed amount or a percentage of assets. Other special rules apply, so be sure to obtain expert guidance.

This is a brief overview of current rules. But these approaches could be affected by proposed tax changes. We'll keep you up to date on any changes. ●