# February is for Falling … in Love?

By Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-
Lindquist,
JD, CTFA

February is a month that always reminds me of falling in love…Valentine’s Day smack in the middle of the month, and I got married in March, and my husband’s birthday is in February, so it’s all about love, and falling in love. But this February has had a different kind of falling feeling in just the first week…the stock markets.

According to colleagues who research such things, the S&P 500 gained +5.7% (total return) in January 2018, the index’s 15th consecutive up month. This number of consecutive up months has only been achieved once before for the S&P 500, between March 1958 and May 1959. So perhaps not surprising that falling prices – even a 10% correction – could result in the first “down” month for the S&P 500 in the month of February 2018.

Even still, those same colleagues tell me that the S&P 500 has gained +10.1% per year (total return) over the 50-year period of 1968-2017 despite 7 bear markets – at least a 20% decline each time. To me, that demonstrates durability. Love it or hate it, the stock market is – so far in its history – durable, weathering depressions, recessions, war time, peace time, administrations stable and not-so-stable, reflecting the value of capital in our economy. Of course, this is no prediction of future results.

Some folks felt that the drop in market value in the past week on all indices meant it was time to go to cash or get out of the market. My advice? “Not so fast,” because how do you know when to get back into the market? Staying in cash means not only eroding purchasing power due to inflation (which is predicted my many to be increasing from historic lows), but potential for lost opportunity, the cost of not being invested, should the market improve.
Or course, it’s always best to get advice from your financial advisor before making any changes in your financial plans or investment strategy. Talk through your options with a professional who knows your goals and risk tolerance. And let’s remember to keep February about falling in love.

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# Welcome Jaime Hannan-McMurrin

Jaime Hannan-McMurrin.

Jaime Hannan-McMurrin of Union has joined Allen Insurance and Financial as a processor in the company’s business insurance division. She is based in Camden.
Before coming to work for Allen Insurance and Financial, Hannan-McMurrin, a native of Warren, worked for a local bank and then a local insurance agency, gaining valuable account and customer service experience. She earned her Maine property & casualty insurance license in 2016.

Outside of work, Hannan-McMurrin enjoys spending time with her two daughters, especially when they are scrapbooking or taking a Zumba class.

"I love my job," she said. "I work with great people, I find myself doing something different every day and every day is a challenge. I love the learning and opportunity to learn so much more."

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# Your Year-End Financial Planning Checklist

As 2017 draws to a close, it's time to begin organizing your finances for the new year. To help you get started, we've put together a list of key planning topics to consider. [Click to view our financial planning team page.]

**Savings and investments**

Revisit your retirement contributions. Review how much you're contributing to your workplace retirement account. If you're not taking full advantage of your employer's match, it's a great time to consider increasing your contribution. If you've already maxed out your match or your employer doesn't offer one, boosting your contribution could still offer tax advantages. Now is also a good time to ensure that your portfolio allocation remains in line with your objectives.

**Anticipate Roth recharacterizations.** If you converted a traditional IRA to a Roth IRA during 2017 and paid tax on the conversion, mark your calendar now to allow plenty of time to recharacterize (i.e., undo) the conversion if you need to. The deadline is your tax-filing deadline plus any extensions.

**Take stock of your goals.** Did you set savings goals for 2017? Realistically evaluate how you did and think about your goals for next year. If you determine that you are off track, we'd be happy to help you develop and monitor a financial plan.

**Health and wellness**

Spend your FSA dollars. If you have a flexible spending account (FSA), those funds may be forfeited if you don't use them by year-end. (Some FSAs offer a 2.5-month grace period or the ability to carry over up to $500 into the next year; check with your employer to see if those options are available.) It's also a good time to calculate your FSA allotment for next year, based on your current account excess or deficit.

If you're not using an FSA, evaluate your qualifying health care costs to see if setting one up for 2018 would make sense.

**Taxes, taxes, taxes**

Manage your marginal tax rate. If you're on the threshold of a tax bracket, deferring income or accelerating deductions may help you reduce your tax exposure. It might make sense to defer some of your income to 2018 if doing so will put you in a lower tax bracket. Accelerating deductions, such as medical expenses or charitable contributions, into the current tax year (rather than paying for deductible items in 2018) may have the same effect. In addition, reviewing your capital gains and losses may reveal tax planning opportunities—for instance, harvesting losses to offset capital gains.

Here are a few key 2018 tax thresholds to keep in mind:

- The 39.6-percent marginal tax rate affects those with taxable incomes in excess of $426,701 (individual), $480,051 (married filing jointly), $453,351 (head of household), and $240,026 (married filing separately).
- The 20-percent capital gains tax rate applies to those in the 39.6-percent tax bracket.
- Itemized deductions and personal exemption phaseouts

affect those with adjusted gross incomes above $266,700 (individual) and $320,000 (married filing jointly).
- The 3.8-percent surtax on investment income applies to the lesser of net investment income or the excess of modified adjusted gross income over $200,000 (individual) and $250,000 (married filing jointly).

**Consider the benefits of charitable giving.** Donating to charity is another good strategy for reducing taxable income. If you'd like to help a worthy cause while trimming your taxes, it's worth exploring your charitable goals and various gifting alternatives.

**Make a strategy for stock options.** If you hold stock options, now is a good time to make a strategy for managing current and future income. Consider the timing of a nonqualified stock option exercise. Would it make sense to avoid accelerating income into the current tax year, or defer income to future years, in light of your estimated tax picture? And don't forget about the alternative minimum tax (AMT). If you're considering exercising incentive stock options before year-end, have your tax advisor prepare an AMT projection to see if there's any tax benefit to waiting until January of the following year.

**Plan for estimated taxes and RMDs.** When considering your taxes for 2017, be sure to take any potentially large bonuses or a prosperous business year into account. You may have to file estimated taxes or increase the upcoming January payment. If you're turning 70½, you'll need a strategy for taking required minimum distributions (RMDs) from your traditional IRA and 401(k) plans.

**Adjust your withholding**. 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 of this is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. You can also use this strategy to make up for low or missing quarterly estimated tax payments.

**Proactive planning**

**Review your estate documents.** To help ensure that your estate plan stays in tune with your goals and needs, you should review and update it on an ongoing basis to account for any life changes or other circumstances. If you haven't done so during 2017, take time to:

- Check trust funding
- Update beneficiary designations
- Review trustee and agent appointments
- Review provisions of powers of attorney and health care directives
- Ensure that you fully understand all of your documents

**Check your credit report.** It's important to monitor your credit report regularly for suspicious activity that could indicate identity theft. Federal law requires that each of the nationwide credit reporting companies (Equifax, Experian, and TransUnion) provide you with a free copy of your report every 12 months, at your request.

**Get professional advice.** Of course, this list is far from exhaustive, and you may have unique planning concerns not covered here. As you prepare for the coming year, please feel free to reach out to us to discuss the financial issues and deadlines that are most relevant to you.

Whatever your planning may entail, we wish you a happy, healthy, and prosperous 2018!

*This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.*

# 2017 Tax Reform and charitable giving: "Doom and Gloom" or perhaps just "Meh?"

By Sarah Ruef-Lindquist, JD, CTFA

There has been an income tax charitable deduction in the US since 1917. For 100 years, those who itemize deductions have been able to take a deduction for gifts to charities, with some limitations based mostly on a taxpayer's adjusted gross income.

We have all been reading about the change in the individual income tax laws, the doubling of the standard deduction and the predictions about the impact on charitable giving. A November 16, 2017 Forbes article on line cited a potential impact of as much as $13 billion less in charitable giving as a result of the doubling of the standard deduction, with the amount of itemizers decreasing from 33% to 5%, according to the Tax Policy Center cited in the article. This assumes that what motivates charitable giving is a tax deduction.

Sarah Ruef-Lindquist, JD, CTFA

According to the Giving in Maine 2017[1] report of the Maine Philanthropy Center, regarding 2015 "Declared charitable deductions represent approximately 80% of total dollars given by individuals" meaning there's another 20% who don't itemize, but still give. We are all familiar with the pattern of giving late in December, before the end of the year. Charities do get the majority of their gifts from individuals during the last two months of the calendar year, suggesting a tax motivation for giving.

But do the 80% Mainers who itemize give because they get a tax deduction? I don't think so. How do you explain the other 20% that do give, and still don't itemize? A deduction is a nice benefit, but if it were truly the motivator, only people who got a deduction would make gifts, and we know that is not the case.

I believe that people give to charities because they believe in the importance of work that the charity is doing, and want to support it. The fact that they can get a tax deduction is icing on the cake, but not the real reason they give. I predict that rather than there being a drop of $13 billion in giving in 2018, without the incentive to deduct a charitable gift, there will be in an increase in charitable giving, because if people have more to give, they will give more. I know that if I were sitting down to write my charitable gift checks today, and there was no tax incentive for me to do so, I would still write those checks. And if I knew my tax liability for the year was going to be smaller, because the standard deduction I can use is larger than my historic itemizations AND I had a lower tax rate, I might actually make my charitable gifts larger, because I could. That should be the case a year from now.

Giving USA[2] reported in 2017 that in 2016, total charitable giving in the US was $390.05 billion, 72% of that from living individuals. The figures for 2017 won't be out until around June of 2018, and the figures for 2018 won't be available until a year after that, so we won't know for a while what impact – positive or negative – 2017 tax reform may have. Let's all remember why we support charitable causes with our gifts, and that in years when we have even more to give, we might just plan to give more.

[1] https://www.mainephilanthropy.org/MEgivingreport
[2] *Giving USA* is *Giving USA 2017: The Annual Report on Philanthropy for the Year 2016*, a publication of Giving USA Foundation, 2017, researched and written by the Indiana University Lilly Family School of Philanthropy. Available online at www.givingusa.org.

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# Chris Richmond Elected to Board of Directors of Maine Marine Trades Association

Chris Richmond

Chris Richmond, a member of the marine insurance division of Allen Insurance and Financial, has been elected to a three-year term on the board of directors of the Maine Marine Trades Association.
Richmond, based in the company's Camden office, is a former schooner captain who maintains his USCG 100-ton master's license. He specializes in marine insurance, working with boat yards, builders and owners across the U.S.
Richmond has been with Allen Insurance and Financial since 2011. He is a graduate of The American University in Washington, D.C., and the Landing School of Boat Building and Design, where he serves on the school's program advisory board.

# Beyond Home Economics: Investing in Women, Locally and Internationally is Growing Maine’s and the World’s Economies

By Sarah Ruef-Lindquist

Sarah Ruef-Lindquist, JD, CTFA

According to a Nov. 27, 2017 story in the Portland Press Herald, Women-owned businesses are thriving in Maine “…women entrepreneurs in Maine have created more jobs and revenue growth than their counterparts in most other states.” The data cited points to women as contributing significantly to Maine’s economy with thousands of small businesses, often begun as cottage industries, and growing into what are mostly small businesses, the main-stay of the Maine economy.

Reporter Craig Anderson writes that “Maine…has become a national leader when it comes to companies owned by women.” And cites the seventh annual State of Women-Owned Businesses Report commissioned by the financial services firm American Express for the fact that “From 1997 to 2017, Maine ranked No. 1 among the 50 states and the District of Columbia for revenue growth among women-owned businesses, and No. 2 for job growth…" and goes on to state that "Maine has an estimated 45,600 women-owned businesses that employ 49,900 workers and generate roughly $13 billion in annual sales. Job creation among women-owned businesses in Maine was just over 76 percent from 1997 to 2017, compared with 27 percent nationally. Revenue growth among women-owned firms was 298 percent in Maine, compared with 103 percent nationally, it found."

These are numbers that speak to the resourcefulness, tenacity and determination of Maine women. But what's the bigger picture for women beyond Maine and the US?

According to Veris Wealth Partners, a growing area of investment worldwide involves "GLI" or Gender Lens Investing: "Gender Lens Investing mobilizes capital to improve the condition of women and girls worldwide. The underlying premise is that when women arefully empowered by having access to capital and opportunity, our economy and society flourish."

In their November 14, 2017 press release, Veris reported that publicly traded GLI strategies (including mutual and exchange traded funds) now total 22, when there were only 5 between the period 1993 to 2012.

A separate index – Pax Global Womens Leadership Index – has been developed to evaluate the performance of companies involving women in board and management leadership, including more than 400 companies, by Pax World Investing out of Portsmouth, New Hampshire. According to their website, "The Pax Global Womens Leadership Index has outperformed the MSCI World Index by 4.30% cumulative from 2/28/14 to 9/30/17."

Whether it's close to home, right here in Maine, or in other parts of the US and beyond, women – and investments in them – are paying off and growing our economy.

* The gender lens strategy may limit the investment options available to the investor and may result in returns lower than those from investments not subject to such investment

considerations. All indices are unmanaged and investors cannot actually invest directly into an index. Unlike investments, indices do no incur management fees, charges or expenses. Past performance does not guarantee future results. The Morgan Stanley Capital International (MSCI) all country world index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets.

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# Winter Preparation Tips for Homeowners

*From our partners at AIG.*

The best time to prepare for cold weather, snowfall, ice accumulation and storms is before winter sets in. Here are some tips to consider for protecting your home and family:

**Freezing temperatures**

• Have all furnaces serviced an d chimneys inspected and cleaned.

• Check your home’s perimeter and seal any air leaks with caulk and weather-stripping. Add additional insulation in the attic – most homes need at least 12-15 inches. Make sure insulation does not come in contact with recessed lighting that is not approved for insulation contact.

• Insulate pipes that go through exterior walls or colder areas such as garage ceilings or unheated attics.

• Turn water off to exterior hose bibs, and detach garden hoses and empty the hose bibs.

• Locate the water main shutoff valve and keep the access path clear in case a frozen pipe leak or other water issue needs to be stopped.

• If you will be away from home, make sure heating is set no lower than 60 degrees so that even cold spots do not become too cold. Open sink cabinet doors to allow heat in, and let faucets drip slightly to prevent frozen pipes.

Consider installing an automatic water shutoff valve to prevent extensive water damages.

**Snowfall**

• In high snowfall areas, make sure no exhaust vents become buried by snow.

• Install adequate attic insulation. This helps keep your roof cold, which prevents ice damming as a result of snow continuously melting on the roof. When replacing a roof, consider an ice shield membrane underlayment.

• Identify a local roofer that clears snow from roofs and removes ice dams to prevent roof collapse or interior water damage. Not all roofers clear roof snow or ice dams.

**Winter storms**

• Service back-up generators and have adequate fuel supplies on hand. Do not store fuel inside. Even if the generator is portable, it should never run indoors.

• Have emergency supplies on hand, such as flashlights, batteries and inverters to use in the car to charge devices.

• If a prolonged power outage means having to relocate, consider shutting off

the water to the house and draining the water lines, and follow the steps listed above for being away from your home.

# Estate Tax on the Chopping Block?

By Sarah Ruef-Lindquist, JD, CTFA
For many years now, there has been a tax on wealth you gave a way, whether during lifetime, or at death, with some exemptions and thresholds…but the House of Representative HR 1 Tax Cuts and Jobs Act proposed in early November wants to change all of that.

Sarah Ruef-Lindquist, JD, CTFA

Currently, you can gift or leave at the time of death $5.49M without tax; the proposed legislation would double that amount, and phase it out entirely after 2023, for gifts made through estates. The lifetime limit on gifts free of tax would remain the same.
That doesn't impact about 99% of the US population. In Maine, estates in excess of $5.49M are by far the exception to the rule. However it would impact much of the population if the so called "step-up in basis" were repealed along with the estate tax.
Essentially, the consolation prize for having an estate tax of up to 40% was that heirs were able to use the date of death value for their basis when selling inherited stock. This is almost always preferable to using the decedent's cost basis which is often much lower, resulting in a larger capital gains tax when the stock is ultimately sold.
The good news is that the "step-up-in-basis" provision is not slated for repeal in HR 1. What the final language will

ultimately be for tax reform is unknown, but for those of us who deal with the issue of planning, it’s nice to think that this part of a familiar planning strategy might not be on the legislative chopping block.

For many years, people in the process of planning for their estates, and whether to give children certain assets during life or at death has involved consideration of whether you wanted to give the gift of low basis (also known as “carryover basis” which I call affectionately call “the gift that keeps on taking” because of the impact on capital gains) or leave an asset at death to allow for stepped-up basis to accompany those assets. Many planning decisions have been made over the years with that structure in mind. If it changes, there could be some folks going back to the drawing board on their estate plans.

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# Sarah Ruef-Lindquist Takes Part in Panel Discussion at Maine Planned Giving Council Meeting

Sarah Ruef-Lindquist, JD, CTFA

Sarah Ruef-Lindquist, JD, CTFA, a financial planner at Allen Insurance and Financial in Camden, recently participated in a panel discussion at the Maine Planned Giving Council's conference held in South Portland attended by approximately 150 professionals involved in the gift planning industry.

Attendees included development professionals and executives from non-profit organizations, and professionals who advise donors in estate or financial planning, including attorneys and accountants, from across the state.

Ruef-Lindquist has had a role in planned giving as an attorney, former trust officer and philanthropic advisor and consultant to non-profits across New England. She previously served as vice president for Southern Maine of the Maine Community Foundation and CEO of the Maine Women's Fund.

Along with Kristen Farnham, Vice President of Development at Spurwink and Sarah McPartland Good, Director of Planning Giving at the University of Maine Foundation, Ruef-Lindquist led more than 40 people in a discussion about marketing planned giving, noting that one size does not fit every organization.

Ruef-Lindquist and the other panelists provided examples from organizations large and small, including universities, colleges, land trusts, social service organizations and others, demonstrating how to best reach those whose passions and loyalties to the mission of a particular organization compel them to consider making gifts through their planning to them.

Planned gifts often support building the long-term funds of organizations, including their endowment, and serve as a means of providing financial sustainability for the long term. Because of the projected intergenerational transfer of a vast amount of wealth occurring now in the U.S., the topic is of great interest to organizations and the advisors working with their donors.

# Amanda Corson Now Licensed to Sell Life Insurance in Maine

Amanda Corson

Amanda Corson, a personal insurance account manager in our Southwest Harbor office, is now licensed to sell life insurance in Maine.

Our Southwest Harbor office operates as L.S. Robinson Co., the independent insurance agency which has served Mount Desert Island since 1932.

“Expanding her insurance knowledge to life insurance will allow Amanda to better serve our agency’s personal insurance customers,” said Scott Carlson, manager of the personal insurance division at Allen Insurance and Financial.