

Dear Clients,

Tax Hints

I find that several of you are paying estimated taxes four times a year. You are also retired. If you are like me, I find this bothersome. Writing those checks can be very disruptive to your cash flow. Don't assume payments are due every three months; payments are typically due April, June and September, with the last one due in January the following year.

If you pay at least 90% of your current tax year's liability or 100% of what you owed the previous tax year, you will be protected from an UNDERPAYMENT penalty. One caveat, that 100% of last year's taxes rises to 110% if your prior year adjusted income was more than \$150,000.

Depending on the source of your retirement income, at the age of 70 1/2, retirees must take the RMD, REQUIRED MINIMUM DISTRIBUTIONS, (there is a couple of exceptions) based on the balance in the account on the previous December 31st, divided by a factor provided by the IRS. YOU may be able to satisfy the Tax Payments to the IRS via the WITHHOLDINGS FROM THESE PAYMENTS. I am speaking of payments from your IRA'S and 401(K)'s. I can provide you with the RMD calculation chart if you care to have one for your own calculations.

A little known opportunity may free you from withholding on income sources and from the hassle of filing ESTIMATED TAXES. If you don't need the money to live on, wait until the end of the year to take your RMD and ask the custodian to withhold extra to pay the taxes on the RMD and enough to cover the other taxable income for the year.

Although estimated tax payments are considered made when you send in the checks, and must be paid as you receive your income during the year, amounts withheld from the IRA-401k distributions are considered PAID evenly throughout the YEAR, even if made in a lump sum PAYMENT at year- end. So, if your RMD is large enough to cover your entire tax bill, you can keep your cash safely tucked away in the IRA, 401k most of the year, avoid withholding on other sources of retirement income, skip quarterly estimated payments, and still avoid the underpayment penalty.

Hope this helps some of you.

New Business

Please find a gem that The Wharton School of Business did recently with Jeremy Siegel, Dated Oct, 16, 2018. I have been a disciple of his for thirty years. I actually met and talked with him in 2001 at a conference in San Diego, Ca.

If you would like to discuss any of this information or you want to review your investments please call Lynda and she'll schedule either a telephone or in person appointment for us. The office number is 503.699.9556.

Regards,

Gordon

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