



FINANCIAL ADVISORS, INC.

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2017 POTENTIAL TAX CHANGES

With a new administration arriving in 2017 and a Republican majority in Congress, we expect tax changes to be a priority next year. While it's impossible to know what the final plan will be, based on the Trump

The highlights of the Trump plan are:

- Collapsing the seven current tax brackets into three. The three brackets proposed for married couples filing jointly are:

1. 12% for married couples making up to \$75,000
2. 25% for those making \$75,001 to \$224,999
3. 33% for those making more than \$225,000



- High income earners (those making over \$225,000) would potentially see the biggest decrease in their tax rate, from a maximum of 39.6%, to 33%. Some lower income earners would see

proposed plan and a plan that the Republicans put forth a few years ago, we can glean some idea of what the tax plan may be.

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RECEIVE 1099-R TAX DOCUMENTS SECURELY

In time for the 2016 tax year, Schwab is introducing electronic 1099-R IRA distribution forms for clients who enroll in paperless document delivery for tax documents by December 31.

Electronic forms offer a number of benefits, i.e., they are more secure, available earlier, and easy to retrieve and review when needed.

There are two ways to choose this secure and convenient option:

1. You may contact our office and we can initiate the process for you. You will receive an email from Schwab that you will use to enroll in paperless statements.
2. Clients with access to the Schwab Alliance website can enroll their IRA accounts now by logging into www.schwab.com/gopaperless and selecting the Tax Forms category.



2017 POTENTIAL TAX CHANGES(CONTINUED)

their rate increase from 10 to 12%, while those making between \$18,500 and \$75,000 will see a small decrease from 15% to 12% and others earning up to \$224,999 would see a decrease from 28% to 25%.

- Individuals (those not filing jointly) could see a significant jump in their tax rate if they earn between \$112,500 and \$192,000. Under the current proposal, their rate would increase from 25% to 33%.

Trump's proposed tax Rates		
Ordinary		
Income	Single Filers	Married Filers
12%	\$0-\$37,499	\$0-\$74,999
25%	\$37,500 - \$112,499	\$75,000-\$224,999
33%	\$112,500+	\$225,000+

SOURCE:DONALDJTRUMP.COM TABLE:MOTLEYFOOL.COM

- Long term capital gains rates would remain in place at 0%, 15% and 20%. These long-term capital gains rates would continue to correspond to income tax rates, i.e., those in the 12% income tax bracket would keep the 0% gains rate, those in 25% income tax bracket would keep the 15% capital gains rate, and those in the highest income tax bracket would keep the 20% gains rate. Both the Trump plan and the plan proposed by the GOP would eliminate the 3.8% Medicare surtax on net investment income.

- Deductions would likely change. Trump has proposed keeping all current deductions, but capping them at \$200,000 for married couples while consolidating the standard deduction and personal exemption into a single deduction. The House GOP plan calls for keeping the mortgage interest deduction and charitable deductions, but eliminating all others. The standard deduction and personal exemptions would be increased to \$12,000 for individuals and \$24,000 for couples. With the GOP plan most taxpayers would probably end up taking the standard deduction rather than itemize.

- Dependent care expenses may change. Trump is proposing a child care deduction for up to 4 children under age 13, per family. He is also asking for a new Dependent Care Savings Account which would be similar to a Health Care Savings account. Previously, the GOP Plan had placed an emphasis on reducing the number of different types of retirement, college and tax-preferred accounts so it may be difficult for Trump to get this additional account through Congress.



If tax reform is to occur in 2017, certainly Congress and Trump will have to compromise. While Trump's proposals collapse some of the tax brackets, the remainder of his program does not necessarily simplify the tax code, a stated goal from the House GOP. Most experts also see his proposals as substantially increasing the deficit, even if positive economic growth could offset some

of the impact. It seems unlikely that the GOP would agree to a plan that increases the budget deficit. Though Trump may want to make tax reform a priority in 2017, it may be a tough road even within his own party.

END OF THE YEAR REMINDERS

Before the end of 2016, we would like to remind our clients to complete any of the following financial activities:

- Gifting you would like to qualify for the 2016 tax year. This year's annual gift exclusion remains \$14,000, which means you can gift this amount to as many people as you would like this year tax free.
- Any charitable contributions you would like to be deductible for the 2016 tax year.
- Any contributions to 529 accounts that you would like to count as a 2016 contribution.
- Any catch-up contributions to 401(k) accounts. The maximum contribution to a 401(k) is \$18,000 this year, plus a catch-up contribution of \$6,000 if you are 50 or over. If you are self-employed, you may want to consider setting up a Solo 401(k) by year-end. Although you must establish the 401(k) before year-end, you can still fund it until April 18, 2017 if you have an unincorporated business, or 15 days after your fiscal year-end if you are incorporated. A SEP-IRA is another option for the self-employed and needs to be established and funded before the individual's personal tax deadline (April 18, 2017).



As always, we are glad to help with any of these year-end items so please give us a call if you'd like to discuss any of them.

HAPPENINGS AROUND THE HC OFFICE

It has been a busy quarter around our Lafayette office. In October, Karla McAvoy and Katie Horton helped organize and attended the NAPFA (National Association of Professional Financial Advisors) National Conference in Washington, D.C. Karla was Chair of the Conference and Katie was on the program committee. The conference was attended by about 700 advisors and sponsors and had a wide variety of educational sessions to attend. Meanwhile, Andy Byron also had an exciting October becoming a grandfather for the first time!

In November, Kim Yuers passed the California exam and is now a notary public. She joins DeAnne Cardona as the 2nd notary in the office. We encourage you to let us know when you need documents notarized as either Kim or DeAnne are glad to help.



HC FINANCIAL AT YOUTH HOMES - DECEMBER 2016

In keeping with our firm's tradition, each December we shop for presents for a local charity. For the last few years we have shopped for the kids of Youth Homes, a local group that provides much needed homes and support for foster youth in Contra Costa County. It's fun and gratifying knowing that we have the ability to make a foster child's holiday a bit brighter while also reminding us how fortunate we are.



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*Helping You
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If you no longer wish
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ABOUT HC FINANCIAL ADVISORS, INC.

HC Financial Advisors, Inc. is a fee-only investment advisory firm offering full financial management services to individuals and their families. We offer ongoing investment management and financial planning services for an annual fee based on assets managed.

Our current minimum annual fee is \$10,000 (\$1,000,000 under management). This fee includes the investment management of all assets as well as our comprehensive financial planning services.

We welcome your referrals to our firm. There is no charge for a preliminary, one hour informational meeting to find out more about our services, investment philosophy, and backgrounds. You can also find us at our website www.hcfincial.com.

HOLIDAY HOURS

During the holidays, our office has the following schedule:

- * Friday, December 23rd, close the office after the market close at 1 p.m.
- * Monday, December 26th, office closed and markets closed to observe Christmas Day.
- * Friday, December 30th, close the office after the market close at 1 p.m.
- * Monday, January 2nd, office closed and markets closed to observe New Year's Day.

We hope each of you enjoy the holidays and we look forward to working with you in 2017! Thank you for your help and continued support.

