CPA™

Client Bulletin

Smart tax, business and planning ideas from your Trusted Business Advisor℠

May 2019

Citation and resource guide

Using the 0% tax rate

The rules regarding qualified dividends can be found in IRS Publication 550, Investment Income and Expenses, p. 23, at www.irs.gov/pub/irs-pdf/p550.pdf.

Working around the "kiddie tax"

The IRS explains the tax on a child's investment and other unearned income (the kiddie tax) at www.irs.gov/taxtopics/tc553.

Final regulations clarify IRC Section 199A

The final regulations for qualified business income deductions can be found at www.irs.gov/pub/irs-drop/td-reg-107892-18.pdf.

Practice development tip

Reveal the path to a tax-efficient retirement

Many (perhaps most) workers understand the value of saving for retirement in a tax-favored retirement plan. However, clients might not be aware of the potential downside. Money compounding in a 401(k) or an IRA eventually will be withdrawn and taxed as ordinary income, especially once required minimum distributions (RMDs) begin after age 70½.

Now that paying taxes are still on people's minds, after the April 15 deadline, clients may be interested in hearing about the steep tax bill they likely will owe in retirement and what can be done to lessen those outlays. This can be an excellent time to schedule seminars or one-on-one meetings covering this topic. Possible subjects to discuss include the following:

- **The new "three-legged stool."** In prior years, retirees could expect support from Social Security, pensions, and private savings. However, pensions in the private sector have become rare, and some people have doubts about the future of Social Security.

  Today's version of the three-legged stool can be described as taxable accounts, pre-tax retirement plans, and after-tax Roth accounts. You might discuss the advantages of having some money in all three types of accounts for flexibility in managing the taxation of cash flow in retirement.

- **Qualified charitable distributions.** After age 70½, making charitable donations from IRAs can ease the tax burden of taking substantial RMDs. That's especially true for the many retirees who take the standard deduction, which makes donations nondeductible.

- **Paring the "widow's (or widower's) penalty."** Many clients are married; when one spouse dies, often late in life, the survivor might find himself or herself in a higher tax bracket than in the past. Steps to make life easier for surviving spouses could include directing contributions to potentially tax-free Roth accounts or having the higher earner wait until age 70 for Social Security, leaving the survivor with a robust benefit, fully or partially tax-free.

Offering such advice may increase clients' reliance on your firm for tax advice before and during retirement, even if they relocate to sunnier, less expensive places.

Practice development and management resources from the AICPA

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The AICPA Personal Financial Planning Section membership is voluntary for CPAs and other professionals who provide personal financial planning services to individuals and families. The PFP Section member benefits include The CPA's Guide to Financial and Estate Planning, among numerous practice guides, as well as free web seminars led by renowned experts, award-winning newsletters like Planner, and invaluable networking opportunities with CPAs around the country.

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AICPA PCPS/CPA.com MAP Survey National Summary

The AICPA's Private Companies Practice Section (PCPS) partnered with CPA.com on the National MAP (Management of an Accounting Practice) Survey, which was fielded from mid-May through July 2016. This summary provides financial and other key benchmarking data from the survey. This product will provide you with comparative benchmarking data relative to firm size and region that can help you create strategic goals and maximize your firm's performance.

[Item no. PCPSSUR03—AICPA Member $200, Nonmember $300]

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[Item no. MAP-XX—AICPA Member $149, Nonmember $189]

MAP On Track

Often, practitioners and small- to medium-sized firms find it challenging to stay on top of firm management responsibilities. The new Management of an Accounting Practice On Track (MAP On Track) will help keep you organized. This new scheduler is easy to download and functions as an add-in to Microsoft Outlook, adding tasks to keep your firm running throughout the year. As an added bonus, within the automatically scheduled tasks, you'll find useful links to relevant content within the comprehensive MAP eHandbook as well as PCPS tools that can inform your next steps.

[Item no. MAPTKD—AICPA Member $229, Nonmember $289]

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