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Year-End Tax Planning

Tips to help minimize your 2019 taxes!

plus

TIPS TO HELP AGING PARENTS MANAGE THEIR FINANCES

COMPANY STOCK AND NUA

PLANNING FOR A FAMILY MEMBER WITH SPECIAL NEEDS

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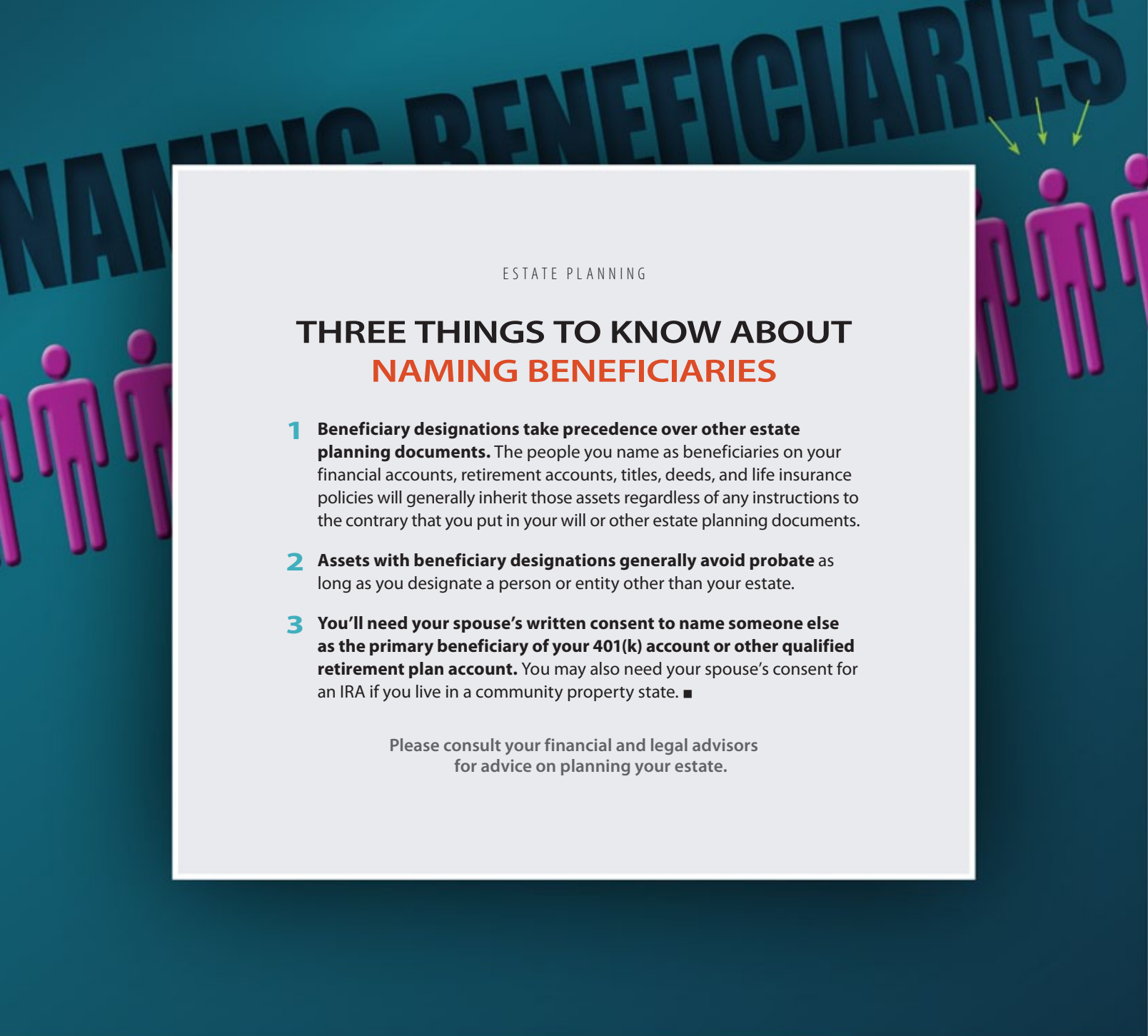

ESTATE PLANNING

THREE THINGS TO KNOW ABOUT NAMING BENEFICIARIES

1. **Beneficiary designations take precedence over other estate planning documents.** The people you name as beneficiaries on your financial accounts, retirement accounts, titles, deeds, and life insurance policies will generally inherit those assets regardless of any instructions to the contrary that you put in your will or other estate planning documents.

2. **Assets with beneficiary designations generally avoid probate** as long as you designate a person or entity other than your estate.

3. **You'll need your spouse's written consent to name someone else as the primary beneficiary of your 401(k) account or other qualified retirement plan account.** You may also need your spouse's consent for an IRA if you live in a community property state. ■

Please consult your financial and legal advisors for advice on planning your estate.

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Planning for a Family Member with Special Needs

Giving money directly to an individual with special needs may jeopardize his or her eligibility for government benefits. There are ways, however, to contribute to the individual's long-term financial security without affecting his or her benefits.

Making a gift or bequest to a loved one with special needs who relies on government benefits can be challenging. That's because programs such as Medicaid and Supplemental Security Income (SSI) are available only to individuals with limited financial resources.

For example, an individual generally must have less than $2,000 of resources (cash, bank accounts, etc.) to receive SSI benefits. Exceed the limit, and SSI benefits will be cut off until the individual's resources drop below the limit.

Fortunately, there are ways to make a gift or bequest without compromising the individual's government benefits. Two possible solutions are introduced here.

SPECIAL NEEDS TRUST

SSI does not count certain resources when determining eligibility—and the special needs trust is one of them as long as it is set up and disbursed properly.

When a special needs trust is set up, you appoint someone (a trustee) to manage the trust and disburse the funds you put in it. The trustee can use the money from the trust to purchase goods and services that supplement, but do not supplant, the individual's government benefits. For example, the trustee can typically use the money to pay for the individual's entertainment, vacations, phone services, and similar items without affecting his or her benefits. But using the money for food or shelter (needs that are met by government benefits) or distributing money directly to the individual may affect his or her benefits.

The trust you create can be funded during your lifetime or after your death by directions placed in your estate planning documents. Other family members and friends may also be able to contribute to the trust during their lifetimes or through directions included in their own estate planning documents.

ABLE ACCOUNT

You may also be able to provide financial assistance by helping the individual fund an ABLE account. This type of account is designed so that persons with disabilities can save for qualified disability expenses, such as education, transportation, and housing, without losing their eligibility for means-tested federal benefits.

SSI does not count ABLE accounts as a resource until the balance exceeds $100,000. Any amount over $100,000 counts toward the SSI resource limit and can cause SSI benefits (but not Medicaid benefits) to be suspended if the limit is exceeded.

One advantage of using an ABLE account is that investment earnings grow tax-deferred and can be withdrawn tax-free if used for qualified expenses.

Not all disabled people are eligible to open an ABLE account. To be eligible, the individual must have become blind or disabled before age 26. Plus, he or she must be entitled to SSI or Social Security Disability Insurance (SSDI) or certify that he or she meets certain other requirements. ■

The eligibility requirements for government benefits are complex. To help avoid a misstep, please consult your financial advisor and an estate planning attorney when planning a gift or bequest to a loved one with special needs.

PLEASE NOTE: For more complete information about an ABLE program, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the program. Any state-based benefit offered with respect to a particular ABLE program should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other ABLE program to learn more about the features, benefits, and limitations of that state's program.

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Bond Yields: Measuring the Returns on a Bond

Yield is an important measurement to understand when selecting bonds. And if you've ever shopped for bonds before, you've probably noticed that yield is measured in a few ways. Here are some of the most common ways.

COUPON RATE IS THE FIRST MEASUREMENT you may see when evaluating a bond. A bond's coupon rate is the interest rate used to calculate the bond's interest payments. You can generally determine how much interest a fixed-rate bond will pay each year by multiplying the bond's face value (typically $1,000) by its coupon rate. For example, a bond with a $1,000 face value and a 5% coupon rate will pay $50 interest each year until the bond matures.

That's good information to have, but keep in mind that the bond's price will fluctuate after the bond is issued and may differ from its face value. So unless you purchase a bond at its face value, you'll also want to know its current yield. The **current yield** is the annual rate of return you can expect based on the bond's current market price.

However, current yield does not consider a bond's maturity. For that, you'll need the bond's **yield to maturity**, or YTM, which is an estimate of the annual rate of return you might expect if you hold the bond until maturity. It takes into account the interest you may earn and reinvest over the remaining years and any capital gain or loss if you purchased the bond at a price other than its face value. This particular measurement is especially helpful when comparing bonds with different maturities and coupon rates.

But what if your bond is callable, meaning that the bond issuer has the right to redeem it prior to maturity? With a callable bond, you'll want to know the bond's **yield to call**, or YTC, which is the rate of return you can expect if the bond is redeemed at its next call date.

It's also helpful to know the lowest rate of return you may earn on a bond, barring a default by the bond issuer. There's a measurement for this called **yield to worst**, or YTW, and it is simply the lower of the bond's yield to maturity or yield to call. If a bond is not callable, its yield to worst is typically the same as its yield to maturity. ■

PLEASE NOTE: Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties.

Please consult your financial advisor for help developing and implementing an investment plan.

Tips for Giving and Receiving Gift Cards

Gift cards are a popular and convenient way to give someone a gift, but sometimes things can go wrong. These tips from the Federal Trade Commission (FTC), America's consumer protection agency, may help you avoid any gift card snafus.

If someone demands to be paid with a gift card, it's a scam.

According to the FTC, 26% of the people who reported losing money in a scam in 2018 paid with a gift card or a reload card. Con artists favor these cards because they can get quick cash, the transaction is largely irreversible, and they can remain anonymous. So always remember that if someone calls or emails you and demands to be paid by gift card or by wiring money, it's a sure sign of a scam.

1 BUY GIFT CARDS FROM SOURCES YOU KNOW AND TRUST.

Avoid buying gift cards from online auction sites because the cards may be counterfeit or stolen.

2 INSPECT THE CARD BEFORE YOU BUY IT.

Check that none of the protective stickers have been removed. Make sure that the codes on the back of the card haven't been scratched off to show the PIN number. Report any damaged cards to the store selling the cards.

3 KEEP THE RECEIPT WITH THE GIFT CARD.

Whether you're giving or getting, try to keep the original purchase receipt or the card's ID number with the gift card.

4 READ THE TERMS AND CONDITIONS OF THE GIFT CARD.

Is there an expiration date? Are there fees to use the card or for shipping and handling? Will fees be taken out every time you use the card or after it sits unused for some period of time?

5 USE THE CARD AS SOON AS YOU CAN.

It's not unusual to misplace gift cards or forget you have them. Using them early will help you get the full value.

6 TREAT GIFT CARDS LIKE CASH.

If your card is lost or stolen, report it to the card's issuer immediately. You might not get back the money left on the card—or you might get some, perhaps for a fee. You might need to show the receipt and the ID number on the card. Most issuers have toll-free telephone numbers, listed on the card or online, that you can call to report a lost or stolen card. ■

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2019 Year-End Tax Planning

There may be moves you can make to reduce your 2019 personal taxes—but you'll need to act soon because most tax-minimization strategies need to be completed by the end of the year to be effective. Several strategies for minimizing federal taxes are described here. Not all of them may be appropriate for you so please seek advice from your tax and financial advisors. This article reflects the laws in place as of September 1, 2019. It is possible that Congress may pass new tax legislation before the end of the year.

TOP TAX TIPS FOR 2019

Double-check your withholding.
If you had too much or too little tax withheld from your paychecks and other income in 2018, be sure to avoid the same mistake in 2019. One way to check that the right amount is being withheld is to use the IRS's withholding calculator, located online at www.irs.gov. You may also want to check with your tax advisor before the end of the year to determine if your withholding and estimated tax payments are on target for the year. If you discover that not enough tax has been paid to date, you can avoid a tax penalty by increasing your withholding to make up the shortfall before the end of the year.

Reduce your current taxes by contributing to a retirement plan and a health savings account.
Every dollar of income that you contribute to a tax-deferred retirement plan at work or a health savings account (HSA) is generally one less dollar that you will have to pay income tax on this year.

For example, contributing $4,000 to a tax-deferred retirement plan or an HSA reduces your taxable income for the year by $4,000. If you are in, let's say, the 35% tax bracket, a $4,000 reduction in taxable income will generally reduce your federal income tax for the year by $1,400.

Contributing to a traditional IRA outside of work can also reduce your current income taxes if your contributions are deductible.

You will eventually owe income tax on your tax-deferred retirement savings, but not until you withdraw your savings from the retirement account.

You won't ever owe income tax on your HSA savings as long as your withdrawals are used to pay qualified medical expenses.

How much can I contribute to my retirement plan and HSA for 2019?

401(K), 403(B), AND MOST 457 PLANS	*Maximum*
Under age 50	$19,000
Age 50 or older	$25,000

SIMPLE IRAs AND SIMPLE 401(K) PLANS	
Under age 50	$13,000
Age 50 or older	$16,000

TRADITIONAL AND ROTH IRAs	
Under age 50	$6,000
Age 50 or older	$7,000

HEALTH SAVINGS ACCOUNTS WITH SELF-ONLY HDHP COVERAGE	
Under age 55	$3,500
Age 55 or older	$4,500

HEALTH SAVINGS ACCOUNTS WITH FAMILY HDHP COVERAGE	
Under age 55	$7,000
Age 55 or older	$8,000

Additional limits may apply.

Time your income and deductions.
Do you expect to be in a different tax bracket next year? If so, you may want to shift some of your income to the year when you are in the lower tax bracket so that you pay taxes on it at a lower rate. And assuming you itemize deductions, you may want to shift deductible expenses to the year when you are in a higher tax bracket so that you get a larger reduction in your taxes.

If you expect to be in the same tax bracket next year, it is generally a good idea to defer income into next year and accelerate deductible expenses into this year.

Please note, however, that timing your income can have unintended consequences. For example, if you own a pass-through entity, such as a sole proprietorship, reducing your taxable income may result in a lower qualified business income deduction in certain situations. Because of unintended consequences such as this, it is important to seek advice from your tax advisor before timing your income.

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2019 Federal Income Tax Brackets

SINGLE

Taxable income	*Rate*
$0 - $9,700	10%
$9,701 - $39,475	12%
$39,476 - $84,200	22%
$84,201 - $160,725	24%
$160,726 - $204,100	32%
$204,101 - $510,300	35%
Over $510,300	37%

MARRIED FILING JOINTLY

$0 - $19,400	10%
$19,401 - $78,950	12%
$78,951 - $168,400	22%
$168,401 - $321,450	24%
$321,451 - $408,200	32%
$408,201 - $612,350	35%
Over $612,350	37%

MARRIED FILING SEPARATELY

$0 - $9,700	10%
$9,701 - $39,475	12%
$39,476 - $84,200	22%
$84,201 - $160,725	24%
$160,726 - $204,100	32%
$204,101 - $306,175	35%
Over $306,175	37%

HEAD OF HOUSEHOLD

$0 - $13,850	10%
$13,851 - $52,850	12%
$52,851 - $84,200	22%
$84,201 - $160,700	24%
$160,701 - $204,100	32%
$204,101 - $510,300	35%
Over $510,300	37%

ESTATES AND TRUSTS

$0 - $2,600	10%
$2,601 - $9,300	24%
$9,301 - $12,750	35%
Over $12,750	37%

These tax rates apply to ordinary income, which includes:

- *Wages*
- *Self-employment income*
- *Taxable interest*
- *Short-term capital gains*
- *Non-qualified dividends*
- *Taxable distributions from IRAs and retirement plans*

* 2019 Standard Deduction

STANDARD DEDUCTION	
Single	$12,200
Married Filing Jointly	$24,400
Married Filing Separately	$12,200
Head of Household	$18,350

ADDITIONAL DEDUCTION FOR OVER AGE 65 OR BLIND	
Single or head of household	$1,650
Married or qualifying widow(er)	$1,300

You can either claim the standard deduction or itemize deductions on your tax return, whichever results in a larger deduction.

Itemized deductions may include medical and dental expenses, state and local taxes, home mortgage interest, gifts to charity, and casualty losses. Limits and restrictions apply.

Plan your year-end charitable contributions for maximum tax efficiency. Contributions you make to charitable organizations can benefit your tax situation in a few ways, with a charitable tax deduction being the most obvious benefit for those who itemize deductions. But even if you don't itemize deductions, there may still be moves you can make to gain a tax benefit from your charitable contributions.

One such move is to contribute highly appreciated securities, such as stocks or mutual funds, instead of cash. As long as you owned them for longer than one year, you will not have to pay capital gains tax on the increase in the securities' value when you donate them to a charitable organization.

And if there is a security that you do not want to part with permanently, you can donate your shares and purchase new shares of the same security with the cash that you planned to donate. Your new shares will have a higher cost basis, which will benefit you taxwise when you eventually sell the new shares.

For example, let's say you donate shares of stock that you purchased years ago for $10,000 and that have a value of $22,000 on the day you donate them. By donating them, you avoid tax on the $12,000 of appreciation that occurred while you owned them (and so does the charity). If you buy $22,000 of new shares to replace the ones you donated, those shares will have a cost basis of $22,000. If you eventually sell your new shares for more than $22,000, only the amount above $22,000 will be taxable. Or if you sell your new shares for less than $22,000, the difference between $22,000 and the sale price can be deducted as a capital loss.

Another tax-savvy move available to charitably-inclined IRA owners who are age 70½ or older is to make charitable distributions of up to $100,000 per year directly from their traditional IRAs to qualified charitable organizations. Charitable contributions made this way count toward your IRA's required minimum distribution (RMD) for the year, but they are not added to your gross income as RMDs normally would be and so they escape taxation. Although you cannot claim a charitable deduction for a contribution made this way, the ability to meet your RMD requirement

without increasing your taxable income can benefit you taxwise.

Consider bunching your charitable gifts. If you normally claim the standard deduction instead of itemizing deductions, you may want to consider whether bunching the charitable contributions you would typically make over two years into one year would allow you to itemize that year and deduct a larger amount.

For example, let's say a married couple typically donates $12,000 per year, but their only other itemized deduction is $10,000 for the state and local taxes they paid. With their itemized deductions totaling $22,000, the couple is better off claiming the $24,400 standard deduction—or are they? If they donated $24,000 every other year instead of $12,000 every year, they could deduct $34,000 every other year by itemizing their deductions. And in those years when they are not donating, they would simply claim the standard deduction.

If you decide to bunch your charitable contributions, a donor-advised fund may be helpful. With a donor-advised fund, you can take an immediate charitable deduction for amounts you contribute to your donor-advised fund account during the year and then spread out your grant recommendations over several years.

Consider bunching your medical and dental expenses. If you itemize deductions, you can deduct the amount of your unreimbursed medical and dental expenses that exceeds 10% of your adjusted gross income (AGI). For example, if your AGI is $100,000, you can deduct the qualified expenses you pay out of your own pocket in excess of $10,000. So if you are just under that 10% AGI threshold, you may want to move some medical appointments and purchases that you had planned for early 2020 into 2019 if it boosts your total unreimbursed 2019 expenditures over the threshold.

How much will a charitable contribution save me in taxes?

It depends on your tax bracket and whether you itemize deductions. For example, if you itemize deductions and contribute $10,000, your tax savings would generally be $3,700 if you are in the 37% tax bracket, $3,500 if you are in the 35% tax bracket, and so on. If you do not itemize deductions, you cannot deduct your charitable contributions.

What are the top three things I should know about deducting my charitable contributions?

1. **You must itemize deductions** on your tax return to deduct your charitable contributions.
2. **You must keep records.** For a cash contribution, you'll need a bank record, such as a cancelled check or a credit card statement. For a cash contribution over $250 or a non-cash contribution, you'll need a written acknowledgement from the charitable organization.
3. **There are limits on the amount you can deduct per year.** In general, your deduction cannot exceed 60% of your adjusted gross income (AGI) for cash contributions or 30% of your AGI for noncash contributions of capital gain property, such as stocks, that are deducted at their fair market value. Different limits may apply in your situation, depending on the type of property you give and the type of organization receiving it. If your contributions exceed the limits, the excess can be deducted over the next five years.

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How can I avoid a wash sale?

If you sell a security at a loss so that you can use the loss on your tax return to offset your capital gains and ordinary income, do not buy a substantially identical security within 30 days before or after the sale. If you do, you'll have what is known as a wash sale and cannot deduct the loss on this year's tax return.

Harvest losses before the end of the year to reduce tax on your gains.
When you sell a stock, mutual fund, or other security in a taxable account for less than you paid for it, the loss can be used on your tax return to reduce the capital gains and up to $3,000 ($1,500 if married filing separately) of the ordinary income you must pay taxes on. Your financial advisor can help you determine which investments might be good candidates for tax loss harvesting.

Use your annual gift tax exclusion.
If you expect that your estate may be subject to estate taxes, you may want to give some of it away tax-free during your lifetime using the annual gift tax exclusion.

The annual exclusion, which is set at $15,000 for 2019, makes it possible for you to give any number of people up to $15,000 each before the end of the year without your gifts triggering the federal gift tax or reducing the amount that can be excluded from federal gift and estate taxes later on.

Take advantage of the temporarily high lifetime exclusion.
In addition to an annual exclusion for gift taxes, you also have a lifetime exclusion for federal gift and estate taxes. It's set at $11.4 million for 2019, meaning that you can currently give away up to $11.4 million during or after your lifetime without your gifts being subject to federal gift and estate taxes. Married couples can jointly shelter up to $22.8 million of their gifts from those taxes.

The lifetime exclusion is set to decrease significantly in a few years. The 2017 Tax Cuts and Jobs Act doubled the exclusion amount, but only for 2018 through 2025. The exclusion will revert to the 2017 level of $5 million, adjusted for inflation, after 2025 unless Congress changes the law. Wealthy individuals may want to use the exclusion to make tax-free gifts to their heirs now before the exclusion potentially decreases. It's a complex decision so please consult your estate planning advisor.

*

Tax Rates on Long-Term Capital Gains and Qualified Dividends

	0% *If taxable income is between*	**15%*** *If taxable income is between*	**20%*** *If taxable income is over*
Single	$0 - $39,375	$39,375 - $434,550	$434,550
Married Filing Jointly	$0 - $78,750	$78,750 - $488,850	$488,850
Married Filing Separately	$0 - $39,375	$39,375 - $244,425	$244,425
Head of Household	$0 - $52,750	$52,750 - $461,700	$461,700
Estates and Trusts	$0 - $2,650	$2,650 - $12,950	$12,950

These tax rates apply to investments held in taxable accounts, not retirement accounts.

Securities must be held for more than one year to use these rates on capital gains and generally for more than 60 days to use them on qualified dividends.

** The 3.8% net investment income tax may also apply if your modified adjusted gross income exceeds $200,000 if single or head of household, $250,000 if married filing jointly, or $125,000 if married filing separately.*

How much can I give my children and grandchildren in 2019 without any gift tax consequences?

Individuals can give up to $15,000 per recipient.

Married couples can give up to $30,000 per recipient.

OTHER CONSIDERATIONS

Should you convert to a Roth account this year?

If you like the idea of paying income tax on your retirement savings now so that future investment growth and withdrawals in retirement are tax-free, you may want to convert your tax-deferred retirement accounts to Roth accounts soon. With federal income tax rates scheduled to increase after 2025, you may pay less tax now on the pre-tax amounts you convert than later on if tax rates increase as planned.

Here are a few things to know about Roth conversions. You can convert all or just part of a tax-deferred account to a Roth account. There are no income restrictions, so even high-income individuals can do a Roth conversion. Roth conversions are permanent, so you can't move the money back into a tax-deferred account. Roth conversions can be a smart move in the right circumstances, but they are not right for everyone. Please consult your tax and financial advisors first.

Will you have to pay the AMT?

Although the 2017 Tax Cuts and Jobs Act made changes that significantly reduced the number of taxpayers subject to the alternative minimum tax (AMT), this tax is still a possibility for some taxpayers. Those most at risk of the AMT are people with very high incomes who realize a large amount of long-term capital gains, receive tax-exempt interest from private activity bonds, or exercise incentive stock options without selling the stock in the same year.

It is a good idea to find out whether you may be subject to the AMT before making any year-end tax planning moves. If it looks like you will be subject to the AMT, your tax advisor can recommend strategies for minimizing its impact or perhaps avoiding it altogether. ■

Please consult your tax and investment advisors about what you can do before the end of 2019 to improve your finances.

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Tips to Help Aging Parents Manage Their Finances

These tips may make it easier for your parents to manage their finances and, if help is ever needed, to shift the management of their finances to a person they trust.

1. Use direct deposit. One way your parents can simplify their finances is by having income from pensions, annuities, and Social Security deposited directly into their savings, checking, or investment account. Not only will this save your parents a trip to the bank, it also avoids the risk of a paper check being stolen, lost, or forgotten before being deposited and generally ensures that your parents' income will be deposited safely and on time.

2. Consolidate retirement accounts. If your parents have multiple retirement accounts, consolidating them into fewer accounts may make it easier for your parents (or you) to evaluate and manage their savings, as well as to take any minimum distributions that are required. When moving money between retirement accounts, it's a good idea to use a trustee-to-trustee transfer rather than moving the money yourselves. It's also a good idea to consult a financial advisor first.

3. Consolidate financial accounts. If your parents have money in several savings and checking accounts at different financial institutions, consolidating them into fewer accounts at one bank may make them easier to manage. Be sure to consider the FDIC insurance limits on money held at one institution before consolidating.

4. Pay bills automatically.

For recurring bills, such as phone bills, consider having the biller automatically deduct payments from your parents' credit card or bank account each month.

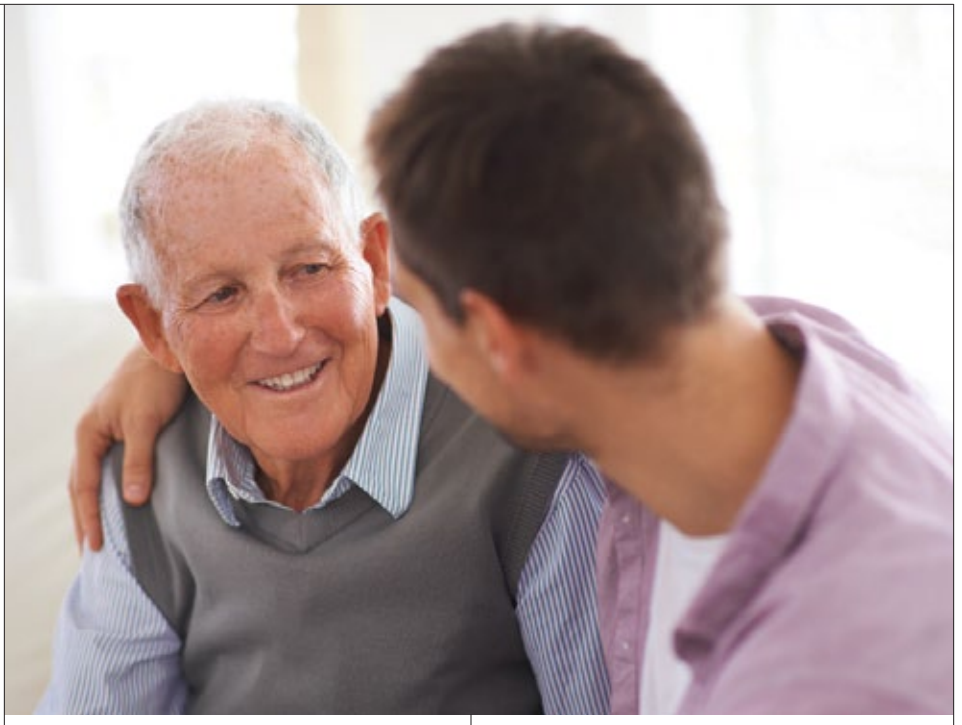
5. Arrange for third-party notifications.

Your parents can arrange to have companies that provide critical services, such as electricity, send notices to you or another third party if they miss payments and the service is to be disconnected. They may also be able to request that their taxing authority notify you if they miss property tax payments and are in danger of losing their home.

6. Get the proper legal documents in place.
If your parents do not each have a durable power of attorney for finances, suggest that they contact an estate planning attorney to have them set up. With this document, your parents can grant someone they trust the authority to manage their financial affairs (banking, investing, bill paying, etc.) if they ever reach a point where they are physically or mentally unable to manage them on their own.

Your parents may also want to set up a revocable living trust as a way to transfer control of their finances. The successor trustee that your parents designate for the trust can take over the management of the assets in the trust when your parents are no longer able to manage them or after they die. Until then, your parents will remain in full control of the trust's assets.

7. Find out whether your parents' bank will honor their powers of attorney.
In an abundance of caution, some banks may not readily honor a power of attorney unless it was created using the bank's own power of attorney form. To help avoid a bank denying your parents' agent access to their accounts, it is a good idea to check with the bank (and an estate planning attorney) regarding the bank's requirements before setting up the powers of attorney.



8. Prepare a financial overview.
If you ever need to step in quickly to manage your parents' finances, you'll appreciate having an overview of their finances ready and waiting for you. Consider asking your parents to make a list that includes:

- Information about their financial accounts, insurance policies, sources of income, debts, and regular bills.
- The locations of their wills, trust documents, powers of attorney, deeds, prior tax returns, and birth and marriage certificates.
- The names and contact information of their financial and legal advisors.

The financial overview should be stored in a secure location, such as a locked safe, where you can access it if necessary.

9. Seek professional help.
If your parents need assistance with their finances now, consider hiring professionals for those tasks that you may not have the time or the expertise to handle yourself.

For example, you may want to hire a tax advisor to prepare and file your parents' tax returns and a financial advisor to manage their investments.

You may also want to hire a daily money manager to handle financial tasks, such as paying bills, reviewing statements, and dispensing cash to your parents. Your financial advisor or a local senior services organization may be able to recommend someone in your parents' area who can help them with their daily money management. ■

Please consult your tax, financial, and legal advisors for advice.

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Company Stock and NUA: An Opportunity to Reduce Your Taxes

If you have highly appreciated company stock in your 401(k) plan, you may be able to reduce the eventual taxes on that stock by moving it to a taxable account rather than an IRA when you retire or change employers.

YOU MAY SAVE A BUNDLE IN TAXES if you transfer your shares of appreciated company stock to a taxable investment account instead of an IRA. When the stock is transferred to a taxable account, its cost basis (the price originally paid for the stock) will be taxed as ordinary income, but the increase in the stock's value (known as its net unrealized appreciation, or NUA) will not be taxed until you sell the stock. And when it is sold, the NUA will be taxed as a long-term capital gain rather than ordinary income.

If you transfer company stock to a traditional IRA instead, you will not owe tax on it immediately, but the money you eventually withdraw from the IRA will be taxed as ordinary income, at a rate that may be significantly higher than the rate you'd pay on long-term capital gains.

The NUA strategy can only be used with employer securities held in a qualified retirement plan, such as a 401(k) plan, that allows the actual securities to be transferred. If you decide to use the strategy, your entire balance must be distributed in a single year, but not necessarily to the same account. You can transfer all or part of your company stock to a taxable account and the rest of your 401(k) account to an IRA so that it maintains its tax deferral. ■

Whether or not to use the NUA strategy is a complex decision. Please consult your tax and financial advisors for advice on your situation.

HYPOTHETICAL EXAMPLE

Let's say Jessica has company stock in her 401(k) account that she purchased for $10,000 and that is now valued at $100,000, making the NUA $90,000. Let's also say that Jessica is age 64, retired, in the 25% federal income tax bracket, eligible for the 15% long-term capital gains tax rate, and wondering what to do with her company stock.

IF THE COMPANY STOCK IS TRANSFERRED DIRECTLY TO A **TRADITIONAL IRA**

Current federal tax:	**$0.** There is no tax on the transfer of the company stock ($100,000) to a traditional IRA.
Future federal tax:	**$25,000.** Cash ($100,000) is taxed as ordinary income (25%) when it is withdrawn from a traditional IRA.
Total federal tax:	**$25,000**

IF THE COMPANY STOCK IS TRANSFERRED DIRECTLY TO A **TAXABLE ACCOUNT**

Current federal tax:	**$2,500.** The stock's cost basis ($10,000) is taxed as ordinary income (25%) when the stock is transferred to the taxable account.
Future federal tax:	**$13,500.** The NUA ($90,000) is taxed as a long-term capital gain (15%) when the stock is sold.
Total federal tax:	**$16,000**

This is a highly simplified example for illustrative purposes only. It assumes that the value of the company stock does not change after it is distributed from the 401(k), and it does not take into account any state or local taxes.

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What is NUA?

Net unrealized appreciation, or NUA, refers to the increase in a security's value that occurs while it is in a qualified retirement plan. For example, if company stock purchased for $10,000 now has a value of $100,000, its NUA is $90,000.

What is the NUA strategy?

The NUA strategy involves transferring appreciated company stock from a qualified retirement plan to a taxable account after you retire, change employers, or reach age 59½ so that the NUA can be taxed as a long-term capital gain rather than ordinary income.

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CROSSROADS OF THE MEDITERRANEAN | Sicily, Italy

BY BRIAN JOHNSTON

Sicily is a beautiful Mediterranean island where Italy's tourist crowds dwindle, nature is generous, and brilliant cultures once flourished.

SICILY IS A TALE OF THE UNEXPECTED. Beyond its smoldering Mt Etna volcano and associations with the now much-diminished Mafia lies an island of rugged beauty and tumultuous history. Far from being an overlooked Italian region, for much of its history Sicily was a prized possession at the heart of the Mediterranean, controlled by Byzantines, Arabs, Normans, Spanish, and a half-dozen other powers. A visit here provides an encounter with a splendid fusion of culture and cuisine set against stunning, hilly landscapes.

If you were to make a chronological tour of the island, you'd have to kick off in the glorious Ancient Greek era. Many visitors are surprised to find ruins to rival any in Greece itself. Agrigento's magnificent Valley of the Temples has survived 2,000 years; its Temple of Concordia is a great masterpiece with an inspired setting on a rocky ridge. In Sicily's northwest, the temple at Segesta is just as brilliant, commanding a remote valley filled with wildflowers. Syracuse on the east coast features ruins scented with lemon trees against a sparkling blue sea. On the south coast, the city of Selinunte was destroyed in 250 BC by an invasion and subsequent earthquake. Visitors can scramble across an evocative tumble of pillars and pediments where lizards bask and wildflowers bloom.

The Greeks were eventually replaced by the Romans. Don't miss Villa Romana del Casale in central Sicily, one of the world's most significant Roman sites, since it preserves the largest collection of Roman mosaics still in its original location. The imperial, fourth-century hunting lodge has floors covered in fabulous mosaics that show a boar hunt, boats surrounded by leaping dolphins, and (most famously) bikini-clad women doing their exercises. The detail is remarkable: each hunter has individual features and hairstyles, and flamingos' feathers are picked out in shimmering shades of pink flecked with gold.

Romans were followed by Byzantines and then Arabs, who ruled Sicily between 827 and 1061. On the island's west coast the Arab influence is everywhere, not

After an earthquake in 1693, the town of Noto (left) and seven other nearby towns were rebuilt in the late Baroque style of the day, prompting UNESCO to name them world heritage sites in 2002 for their high level of architectural and artistic achievement. The ancient Greek Temple of Concordia (below), located in the Valley of the Temples, is considered one of the best preserved Doric temples in the world.

least in towns such as Marsala and fishing port Mazara with their flat-roofed, whitewashed houses shaded by monkey-puzzle trees. Windmills stand out against glittering salt pans at the edge of the sea, and citrus groves pop with lemons.

Sicilian cuisine remains influenced by Arab flavors such as almond, saffron, and lemon. You can nibble on snacks that originated in the Arab era, such as eggplant slices in batter; ammarra-panza ('stomach stoppers') filled with honeyed raisins, nuts and dried figs; and crusty pyramids of deep-fried saffron rice. Granita, a type of slushy sorbet sold from handcarts painted with historical scenes of warring knights and Moors, is the perfect treat on hot summer days when the sirocco blows from North Africa.

Sicilian food doesn't do the waistline any good, but don't worry: this is a hilly island where you always seem to be climbing streets in an impromptu workout. Older hill towns are austere and secretive, such as medieval Érice, with its winding cobbled streets and intimate piazzas. Yet its confectionery shops are opulent and gaudy, piled with the marzipan fruit and almond pastries for which the town—and Sicily as a whole—is renowned.

The name of another inland town, Corleone, was used for the fictional Sicilian family in *The Godfather* and actually produced several Mafia bosses, yet has an atmospheric charm and is crammed with churches and café-filled squares. Inland from Mazara, Caltagirone has marvelous porcelain steps featuring veiled women and camels and is renowned for its ceramics.

Sicily's later inland towns feature an agreeable jumble of baroque architectural flamboyance, a legacy of the Spanish who governed Sicily for centuries from 1268. Noto and Ragusa, both rebuilt in their entirety after an earthquake in 1693, are splendid examples of baroque town planning studded with campaniles, bell towers, and gargoyles. The front of Ragusa cathedral is covered in frothy pillars like spun toffee. Inside, giggling angels float across the ceiling in pink and yellow while underneath, in wonderful contrast, old women in black mutter prayers.

All roads in Sicily eventually lead to Palermo, the island's capital. In the early

Middle Ages, the Arabs and then Normans created a magnificent culture in Sicily whose highlights include Palermo's Palatine Chapel, boasting exquisite early-Islamic decoration (motifs include peacocks, falcons, palm trees, and octagonal stars) and ceilings glittering in gold and blue mosaics. Norman La Zisa palace houses superb displays of Islamic art.

The highlight, though, is the 1176 Norman cathedral in Monreale just outside Palermo. The cathedral is one of Europe's finest medieval buildings. Floors are inlaid with colored jasper and porphyry while the wooden ceilings of the nave, patterned in green and gold, are exquisite. Walls and ceilings are covered with dazzling Byzantine mosaics showing biblical scenes, from Noah clambering off his Ark to Lazarus being unwrapped by amazed onlookers. If you can drag yourself away, the cloister is distinctly Islamic in style, with formal gardens, columned arcades, and a fountain strikingly similar to the courtyards of the Alhambra Palace in Spain.

Palermo is a raucous and traffic-choked city with some serious dilapidation, yet the tumbledown buildings are actually baroque palazzi with fine courtyards and peeling chapels that often hide a fanfare of baroque decoration. The regional capital's most peculiar sight is the underground crypt of the Capuchin Monastery, which houses 8000 corpses of Palmeritan notables, embalmed and posed here between the seventeenth and nineteenth centuries. (The Spanish, the last of Sicily's great occupiers, had a tendency to gloomy churches and a fascination with death.) Wander among doctors in their frockcoats, society matrons in crinolines, and generals still bedecked in medals and moustaches. It's a most unnerving and fascinating place.

While Sicily's cultural legacy is spectacular (and at times peculiar), there's also plenty of relaxation by the sea to be had. A sweeping beach can be found at Cefalù, a small fishing town on the north coast dominated by another Norman cathedral. It gets its fair share of package tourists, but is still a great place to base yourself, with Palermo only an hour away and Sicily's interior at your back.

It's generally along Sicily's east coast, however, where you'll find the best beaches. The top resort is upmarket Taormina, which became famous as a celebrity haunt when the likes of Elizabeth Taylor and Sophia Loren came to cavort in its orange groves in the 1950s. The town is perched above the sea with views towards a purple-tinted Mt Etna, best admired from the well-preserved Greek theatre. Sunny, cheerful, and sophisticated, Taormina could hardly be more different from the outdated stereotype of Mafia Sicily. Stroll the shops of Corso Umberto, sit in the shade of the parrot-haunted Public Gardens, fork up seafood pasta on a restaurant terrace, and rejoice. ■

Expect the Unexpected at an Art Museum

Art museums aren't just for viewing art any more. Today you are apt to run into events as diverse as yoga classes, musical performances, and artisan markets when you visit an art museum. Here's a sampling.

CLEVELAND, OH **Yoga** • *Cleveland Museum of Art* • *Second Saturday of every month at 10:30 a.m.*
PHILADELPHIA, PA **Yoga** • *Philadelphia Museum of Art* • *Wednesday nights at 6 p.m.*
PITTSBURGH, PA **Yoga** • *Carnegie Museum of Art* • *Every Thursday at 7 p.m.*
TAMPA, FL **Yoga** • *Tampa Museum of Art* • *Second Saturday of every month at 10:30 a.m.*

Pull on your stretchy pants, grab your yoga mat, and head to the art museum. (Yes, you read that correctly!) Many art museums offer yoga sessions in their galleries, sculpture gardens, and other serene spaces where you can immerse yourself in beauty as you refresh your mind and body.

MADISON, WI

Sunday Afternoon Live at the Chazen *Chazen Museum of Art* • *First Sunday of most months*

The Chazen Museum of Art hosts concerts on the first Sunday of every month, except January, in the Brittingham Gallery III. The concerts are free and open to the public.

NEW YORK, NY

Handel + Haydn Society: Christmas with the Strads *Metropolitan Museum of Art* • *December 20, 2019*

For this special performance, The Met brings its family of Stradivarius instruments out of their cases to sing once again in the hands of the Handel + Haydn Society as they perform festive music by Vivaldi, Charpentier, Biber, Telemann, and others.

PHOENIX, AZ

Indian Fair & Market *Heard Museum* • *March 7–8, 2020*

This annual event is a great opportunity to watch Native American artists demonstrate their skills, as well as to purchase the baskets, pottery, jewelry, and other items they create.

SEATTLE, WA

Art of Jazz *Seattle Art Museum* • *Second Thursday of every month*

On the second Thursday of every month, jazz musicians perform live from 5:30 to 7:30 p.m. in the Seattle Art Museum's Brotman Forum or, during the summer, in the Gates Amphitheater at the Olympic Sculpture Park. Performances are free and open to the public. ■

QUIZ

NAME THAT NATIONAL PARK

1. If you are paddling through a vast network of waterways (above) where French-Canadian fur traders once traveled 250 years ago, you are in:

A. Everglades National Park
B. Voyageurs National Park

2. If you are boating on the turquoise waters of Lake Powell, you are in:

A. Glen Canyon National Recreation Area
B. Grand Canyon National Park

3. If you are snorkeling at a national park about 70 miles west of Key West, you are in:

A. Biscayne National Park
B. Dry Tortugas National Park

4. If you are patiently waiting for the Castle, Grand, and Daisy Geysers to erupt, you are in:

A. Hot Springs National Park
B. Yellowstone National Park

5. If you are hiking in the national park that had the most visitors in 2018, you are:

A. Great Smoky Mountains National Park
B. Grand Canyon National Park

6. If you are walking through the Big Room, the largest single cave chamber by volume in North America, you are in:

A. Mammoth Cave National Park
B. Carlsbad Caverns National Park

7. If you were watching lava from Kilauea Volcano flow into the ocean in 2018, you were near:

A. Hawai'i Volcanoes National Park
B. Katmai National Park and Preserve

8. If you are scaling a ladder to reach cliff dwellings that once housed the Ancestral Pueblo people, you are in:

A. Mesa Verde National Park
B. Kobuk Valley National Park

9. If you are getting soaked in the mist of Bridalveil Fall as it plunges 620 feet over a rock cliff, you are in:

A. Haleakala National Park
B. Yosemite National Park

10. If you are scuba diving at a national park south of the equator, you are in:

A. Channel Islands National Park
B. National Park of American Samoa

ANSWERS: 1-B, 2-A, 3-B, 4-B, 5-A, 6-B, 7-A, 8-A, 9-B, 10-B

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