Safe Money NEWS™

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TAX LAW CHANGES MEAL AND ENTERTAINMENT DEDUCTIONS

By TMA Small Business

Once upon a time, taxpayers could generally deduct 50% of business-related meal and entertainment expenses. However, several exceptions allowed larger deductions in certain circumstances.

THE BEFORE AND AFTER OF EXCEPTIONS

Under prior law, the following exceptions to the general 50% deductibility rule were available. (In some cases, as you'll see below, the exceptions have been retained under the TCJA).

An employer could deduct 100% of:

Meal expenses that were excluded from an employee's gross income as a "de minimis fringe benefit." For

SAFETY PINS

ACTUARIAL ASSUMPTIONS, LONGEVITY RISK, AND YOUR RETIREMENT INCOME

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There are plenty of safe, low-impact exercise and physical conditioning routines you can take up to maintain a healthy lifestyle.

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We felt we needed guaranteed income to cover our expenses during retirement, so we created a retirement expense budget. To fill the income gap we purchased fixed index annuities with guaranteed lifetime withdrawal benefits.

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GENERAL DURABLE POWER OF ATTORNEY

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CHILDHOOD ADVENTURES WITH GRANDMA

A young person's imagination can be a wondrous thing to behold. And, when adults play into the fantasies, it becomes even more wonderful. When I arrived at my Grandma Wilkens house, the adventures took on a completely different dimension.

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example, occasional meals provided to employees working overtime qualified for this exception. (See the right-hand box to find out how the TCJA treats meals that qualify as de minimis fringes.)

The cost of providing meals to employees, including facility costs at a qualifying employer-operated eating facility. For example, this exception applied to a qualifying company cafeteria (see right-hand box for information about how employer-operated eating facilities are treated under the TCJA.)

- Meal and entertainment expenses that were reported as taxable compensation to employees. This exception is still available and it still covers applicable entertainment expenses.
- Food, beverage, and entertainment expenses incurred for recreational, social, or similar activities that were provided primarily for the benefit of employees (other than certain highly compensated employees) were 100% deductible. For example, if your business had a company picnic or holiday party and served food and beverages and provided entertainment. This exception is still available and it still covers applicable entertainment expenses.
- Employers also could deduct 80% of the cost of meals provided to employees whose work is subject to U.S. Department of Transportation (DOT) hours-of-service limitations. Two examples of employees who may be covered by this exception are interstate truck drivers and airline pilots. This exception is still available.

IN ADDITION TO THE ABOVE TAX WRITE-OFFS, BUSINESS TAXPAYERS COULD, UNDER PREVIOUS LAW, DEDUCT 100% OF THE COST OF:

- Food, beverages, and entertainment that were made available to the public. For example, free snacks that were served at a car dealership or free food and music provided at an event open to the public. This exception is still available and it still covers applicable entertainment expenses.
- Food, beverages, and entertainment sold to customers for full value, including the cost of related facilities. This exception is still available and it still covers applicable entertainment expenses.
- Meals and entertainment that were reported as taxable income to a non-employee recipient on a Form 1099, Miscellaneous Income. For example, let's say your company held a sales presentation and a potential customer won a dinner cruise for 10 people valued at $750. The winner was issued a Form 1099 for the value. This exception is still available

- and it still covers applicable entertainment expenses.

Business taxpayers also could deduct 100% of tickets to fund-raising charitable sporting events if:

- The event was organized for the benefit of a qualifying charitable organization,
- 100% of the net proceeds were contributed to the charity, and
- Volunteers did substantially all the work in staging the event. An example was a golf tournament organized to benefit a charity, when all the net proceeds were donated to the charity. This exception has been eliminated under the TCJA so after December 31, 2017, businesses can no longer claim this tax break.

DEDUCTIONS NOW DISALLOWED

Effective for amounts paid or incurred after December 31, 2017, the TCJA disallows deductions for most business-related entertainment expenses, including the cost of facilities used for most of these activities.

Specifically, nondeductible expenses now include:

- Tickets to sporting events,
- License fees for stadium or arena seating rights,
- Private boxes at sporting events,
- Theater tickets,
- Golf club dues,
- Company golf outings for customers, and
- Hunting, fishing, and sailing outings.

Key Points: Some business-related entertainment expenses are still deductible, but only in very limited circumstances such as the ones explained earlier. Taxpayers can apparently still deduct 50% of food and beverage expenses incurred at entertainment events, but only if business was conducted during the event or shortly before or after. However, this conclusion is not completely clear at this time. We are awaiting IRS guidance on this issue.

DEDUCTIONS STILL ALLOWED

Apparently, you can still deduct 50% of the cost of business-related meals with business associates. If so, the time-honored rules for proving that meals are business-related still apply. Once again, this conclusion isn't completely clear at this time. We are awaiting IRS guidance.

It's clear that you can still deduct 50% of the cost of meals for you or an employee while away from home on business-related travel.

In addition, a business's costs for meals and food and beverages that fall under some of the exceptions listed above are still 100% deductible (for example, when the cost is reported as taxable compensation to recipients who are employees and non-employees). Meals provided to employees subject to the DOT hours-of-service limitations are still 80% deductible.

Key Point: If a hotel or other lodging establishment includes meals in its room charges or you give employees per-diem allowances that are intended to cover meals, you can use a reasonable method to determine the portion of expenditures allocable to meals and subject to the 50% deductibility rule. Ask your tax advisor about this.

TAX PLANNING CONSIDERATIONS

Taxpayers should assess their current expense allowance policies to determine if the unfavorable TCJA provisions warrant changes in policy — especially for entertainment expenses incurred by employees. Accounting system changes may be necessary to separately track employee entertainment expenses and employee business-related meal expenses, which may still be 50% deductible.

As you can see, the treatment of meal and entertainment expenses is complicated after the TCJA. Maybe more complicated than you thought! Also, understand that what you read here is based purely on our analysis of the applicable provisions in the Internal Revenue Code. Subsequent IRS guidance could differ.

FEEDING EMPLOYEES: THEN AND NOW

De minimis meals. Under prior law, employers could deduct 100% of the cost of food and beverages supplied

to employees, if the food and beverages were tax-free to =employees because they qualified as a de minimis fringe benefit. Those benefits are defined as having a value and frequency of occurrence so small as to make accounting for them unreasonable or administratively impractical. Examples include:

Meals or meal money provided to employees on an occasional basis, and

Meals or meal money provided to employees that enable them to work overtime when necessary.

TCJA CHANGE: For amounts paid or incurred in 2018 and beyond, the new law apparently still allows a 50% deduction for de minimis meals or meal money. Once again, we await IRS guidance on this issue.

EMPLOYER-OPERATED EATING FACILITIES: Under prior law, employers could deduct 100% of the cost of operating a qualified eating facility for employees, such as a company cafeteria. The facility had to meet certain requirements.

First, it had to be:

- Owned or leased by the employer,
- Operated by the employer (directly or through a contract with a vendor), and
- On or near the employer's business premises.

In addition, revenue from the facility had to equal or exceed the cost of operating the facility. Meals also had to be served during or immediately before or after the employees' workday and the facility generally had to be available to all employees.

TCJA CHANGE: For amounts paid or incurred from January 1, 2018 through December 31, 2025, the new law allows employers to deduct only 50% of the cost of operating a qualified eating facility for employees. After 2025, no deductions will be allowed.

Employers that operate eating facilities for employees should review the costs of running their facilities and determine if the temporary 50% deduction rule and the eventual complete disallowance rule dictate a change in policy.

Meals Provided for the Convenience of the Employer. Under prior law, the cost of meals furnished to an employee for the convenience of the employer could be fully deducted by the employer and treated as tax-free to the recipient. However, 100% deductibility for the employer only applied if a bevy of requirements were met. Otherwise the general 50% deductibility rule for meals applied.

TCJA CHANGE: For 2018-2025, the TCJA allows employers to deduct only 50% of the cost of meals that are provided for their convenience. After 2025, no deductions will be allowed.

Then came the Tax Cuts and Jobs Act (TCJA), which dramatically shifts the playing field for expenses paid or incurred after December 31, 2017. The new law also creates some uncertainties, as this article will explain.

Your tax advisor can keep you up to speed on the issues and suggest strategies to get the biggest tax-saving bang for your business meal and entertainment bucks.

TMA
Small Business Accounting

The TMA Small Business Accounting, P.C. staff have been delivering professional services to small businesses in Central Indiana for over 20 years. Having worked with hundreds of small business clients, we have significant expertise with a wide variety of service businesses in Indiana. We have especially strong experience and expertise in working with businesses in the healthcare (medical, dental, etc.) and foodservice (restaurants, caterers, etc.) industries.

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PLAYING IT SAFE

SAFE EXERCISE

By Steve Dinnen

When I quit smoking some years back my appetite for food picked up and I started to pack on the pounds. So I took up jogging to get in better shape. But that had its own problems; running can really beat up your body - your feet, your knees, your hips.

So I cast about for something a little safer, and came up with bicycling. Granted, it doesn't deliver quite the same level of cardiovascular workout that jogging affords. But it can still be a pretty decent workout, and it's a decent way to see the countryside.

There are plenty of safe, low-impact exercise and physical conditioning routines you can take up to maintain a healthy lifestyle. Take walking, for instance, the low-impact response to jogging. England's Stroke Association figures a daily 30-minute walk cuts your risk of a stroke by a quarter. It lowers your level of LDL (bad) cholesterol, while boosting HDL (good) cholesterol. It strengthens your heart, helps you lose weight and elevates your mood and energy level.

More and more communities are incorporating bike and walking paths into their development plans, so you have a way of getting around that doesn't tangle with cars. But if you live outside the Sun Belt you might be wary of setting out along any pathway on a snowy, freezing January day. That's where shopping malls come in handy, as they welcome walkers, especially in the mornings. And gyms seem to be everywhere these

days, so when a mall won't do, there's always a tread mill nearby. Gyms also offer a wintertime substitute for biking – a stationery bike.

A lot of gyms offer elliptical trainers, which more or less keep your whole body in motion as you constantly peddle while moving your arms back and forth on poles attached to those pedals. Most ellipticals have a tension controller, so you can adjust the pedals and arms to offer more resistance for a more strenuous workout. And all the while, your feet never leave the pedal, so you're not banging up your hips or knees.

But why stop there? Rowing machines, though not as common, offer a great workout. They're sort of a sitting-down version of an elliptical, since they keep most of your body in continual motion. Likewise, they have tensioners that allow you to adjust the difficulty level of the exercise.

You'll also find a lot of helpful resistance in water. And swimming offers a great way to exercise at a very low impact level, because of the bouyance effects of water.

And then there is yoga. I always thought of it as more of a mental and spiritual exercise. Granted, there are those components, but you can also find a yoga class that will provide quite a lot of physical exertion, as well. My daughter amps up her yoga instruction with a class in hot yoga. Here, they crank up the thermostat in the yoga room – maybe 100 degrees - so you sweat a lot during a session. You shed not only some unneeded water weight but releasing toxins from your body, to boot.

Indoors or out, in a pool or drydocked at a rowing machine, you have opportunities aplenty to tone your muscles, improve your heart health, and safely stay fit.

About the Author: Steve Dinnen

Steve is a freelance writer specializing in financial and travel news. He received his Bachelors Degree from Drake University and his Master of Journalism from Oklahoma University.

Mr. Dinnen served as Sr. Business Reporter for the Des Moines Register, Business News Editor for the Indianapolis Star and served as Editor (freelance) for the Christian Science Monitor of its weekly personal finance column.

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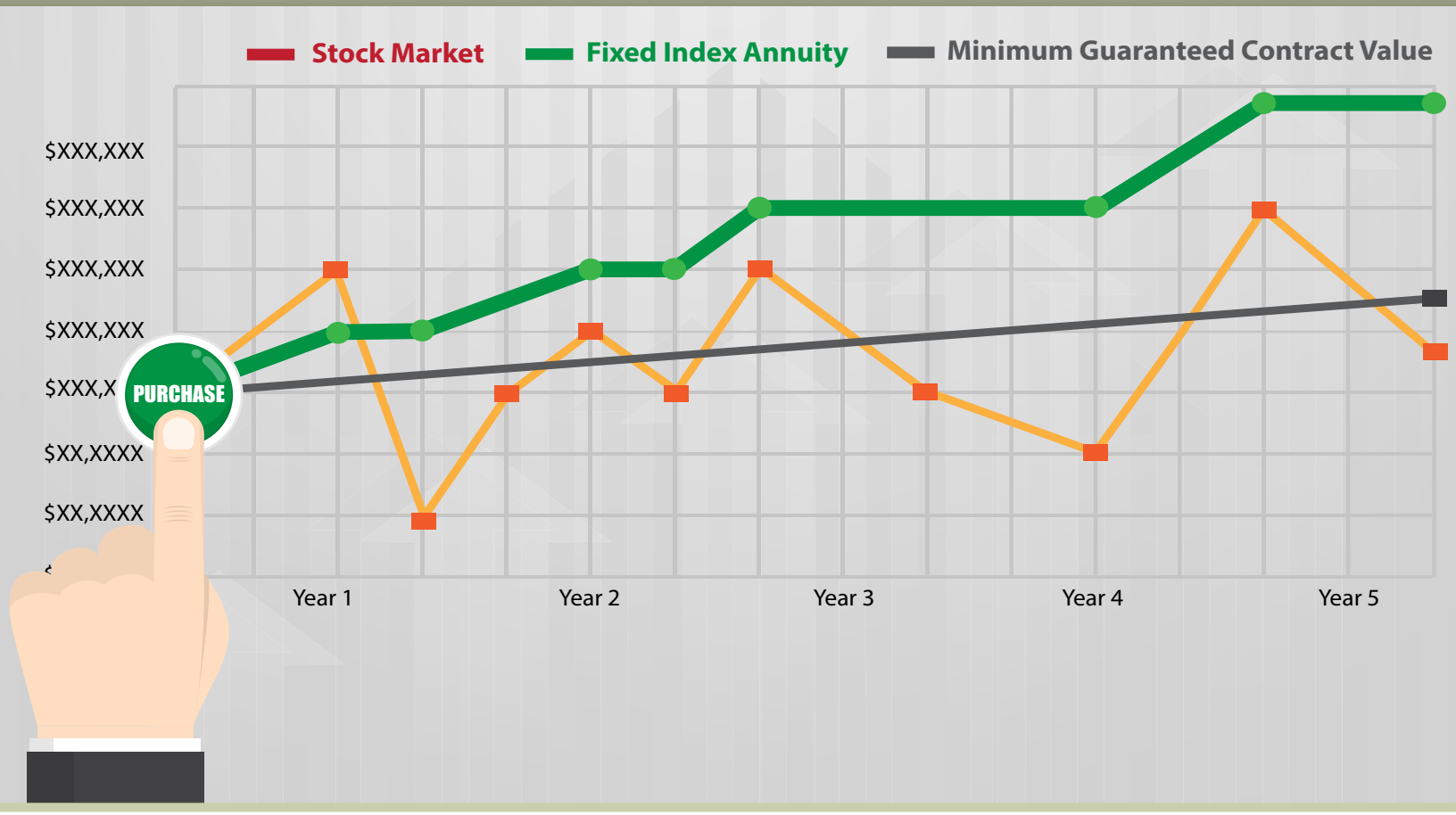

WHY I BOUGHT MY FIRST FIXED INDEX ANNUITY FOR RETIREMENT

BY DR. JACK MARRION

Actually my wife and I each bought one. The reasons we'd never purchased a fixed index annuity in the past were that we're not particularly risk-averse and we had time to recover from any market downturn. The reason why we bought now was the recovery time-frame had shortened because retirement is looming. Although over the long-term the stock market has been a good bet, that isn't always true when you're looking at five or six year time spans. I was concerned we would need to start withdrawing from our investments before we recovered from the next bear market.

We felt we needed guaranteed income to cover our expenses during retirement, so we created a retirement expense budget. The budget is, of course, an estimate, but we tried to include everything, added a bit more, and then added a bit on top for inflation. We then subtracted what the Social Security calculator says we'll get in benefits

and what was left was our guaranteed income gap.

To fill the gap we purchased FIAs with guaranteed lifetime withdrawal benefits. I wanted the most certainty, so the one I chose had the most predictable joint lifetime income – and the highest annual fee. My main concern was money coning in each year, especially if I die first, and knowing the exact amount of that future check when I bought.

My wife wanted a lower annuity lifetime benefit fee and the potential for more income, so the FIA she chose doesn't have as strong a base income guarantee, but offers the potential for higher income than I'm getting if she earns more interest during the deferral period. Her guaranteed base income is little lower than mine, but she could wind up getting a higher lifetime income than me when she begins to tale withdrawals.

Might we get a higher income if we just left the money in the market?

Sure, and that's why a large portion of our assets continues to be in investments.

If we want guaranteed income, why didn't we just buy immediate annuities?

With the FIAs we have access to the cash value. The odds are we'll be taking out more than we earn, so the account value will go down, but we have control over the account. If we needed to we could cash in the annuity and take whatever is left. And, like a life immediate annuity, even when our money is gone the FIA annuity company keeps paying for as long as we live.

Do I believe we would have run out of money early if we hadn't bought the annuities?

No. I've done the math. The reality is we'll probably both be dead before our accounts go to zero.

Then why did we buy?

It comes down to peace of mind. I know the income my wife and I will get from the annuities and it doesn't matter what the financial markets do. This is the one piece of our portfolio we don't have to worry about (it's also the part of the portfolio my widow won't have to mess with). Finally, if our minds get foggier in the future this is again the one thing we don't have to fuss with.

The trigger that caused us to take action and buy the annuities was doing the budget and seeing the guaranteed income shortfall (as a side note, my annuity income is more than enough to cover our real estate taxes and homeowners insurance, so I feel like it is our "always have a home" annuity). Planning for retirement gets very real when you're looking at the hard dollars you will need in a rapidly nearing future.

About the Author: Dr. Jack Marrion

Dr. Marrion's research on senior decision making and the financial world have been featured in hundreds of publications including: Business Week, Kiplinger, Smart Money, and The Wall Street Journal. He is the author of six books and a frequent media guest.

ACTUARIAL ASSUMPTIONS, LONGEVITY RISK, AND YOUR RETIREMENT INCOME

By Raymond J. Ohlson, CLU, CRC LACP

Let's start with the definition of actuarial assumptions from Investopedia, ***"An actuarial assumption is an estimate of an uncertain variable input into a financial model, normally for the purposes of calculating premiums or benefits. For example, a common actuarial assumption relates to a person's lifespan, given their age, gender, health condition and other factors."***

I have worked with actuaries for many years in my career. First, as president of life insurance companies when we deliberated over benefits, premium, payouts etc. The actuary was the sound voice of reason that kept us in a profitable mode. I also worked with actuaries when contracted to develop products for insurance carriers. Again, in most cases, the numbers don't lie - that's why we need the actuaries. So, why is it that we as human beings tend to ignore the actuarial tables when we look at our life expectancy and calculate how long our retirement funds will last? Maybe it's because we have anecdotal evidence of premature deaths of people we have known. I have also witnessed the early deaths, but the actuarial tables show the

big picture. And, chances are you are going to live longer than you might think. So, I ask you... how lucky do you feel?

Let's go to Wikipedia and look at the definition of longevity risk, "A longevity risk is any potential risk attached to the increasing life expectancy of pensioners and policyholders, which can eventually result in higher pay-out ratios than expected for many pension funds and insurance companies." They go on, "One important risk to individuals who are spending down their savings is that they will live longer than expected and thus exhaust their savings dying in poverty or burdening relatives. This is also referred to as "outliving one's savings" or "outliving one's assets." So, what does this mean? Let's explore…

First off, we all feel good about Social Security being there (at least for baby boomers) and can count on that as one source of income. Some of us are also lucky enough to have a pension. And, in most cases, that payout won't be in danger (unless the institution is in serious financial distress). But what about the rest of your money? What about the essential income needs: housing, medical, taxes, insurance, food, etc? Is there enough cash flow? We then look at discretionary needs... vacations, gifts, new cars or whatever. How about that source of funds? Is it in good shape? Let's look at few factors and a solution to help you sleep better at night.

Okay, pull out your driver's license and look at your date of birth. Are you at the age where you should be shouldering high levels of risk in your portfolio? Only you can answer that… but the answer is probably no. If you are withdrawing funds in this low interest environment, this could affect how long the funds will last unless you reduce withdrawal amounts. What about your money in equities? If you are like me, you've been enjoying the ride. But, will there be a day when the markets will decline? I don't think I even have to wait for your answer. If that becomes the case, then your portfolio could become very damaged and the amount of your income would have to be reduced or curtailed for a while. Is there an answer? Yes… There are annuities available which will provide you with an income for life... regardless of interest rates or market turmoil. These annuities allow you to participate in the potential of growth while taking distributions. Many also provide access to funds, on top of your distributions, to be used in the case of emergencies or opportunities. And finally, you are guaranteed to never lose a penny of principal or previous gains even in the case of a market turndown.

So, there you have it. The actuaries say that the risk is there. The result can be painful, but there's an answer to this risk, and it will allow you to sleep like a baby. All you have to do is inquire and check it out. Want to know how this can be personalized to your portfolio? Contact me and I'll give you some safe money solutions.

About the Author: Raymond J. Ohlson CLU, CRC, CEO & President of The Ohlson Group, Inc. and SMP International, LLC

Mr. Ohlson entered the insurance business while completing his Bachelor of Science Degree at Ball State University. He quickly qualified for the Million Dollar Round Table (MDRT) of which he is a Life Member. He also received his Chartered Life Underwriter (CLU) designation from the American College in Bryn Mawr, Pennsylvania.

Mr. Ohlson, a former life insurance company president, currently sits on college and hospital boards and is a published author. Raymond J. Ohlson can be reached at:

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GENERAL DURABLE POWER OF ATTORNEY

By Raymond J. Ohlson, CLU, CRC LACP

In evaluating the do's and don'ts of estate planning, business succession, assistance with aging parents and general family matters, one commonly overlooked and extremely valuable tool is the General Durable Power of Attorney form. Most states have enacted and adopted statutory legislation that governs what may be included in a General Durable Power of Attorney. For example, the State of Indiana provides an exhaustive listing of what acts may be undertaken and these acts may include: selling property (real and personal), making investments and making healthcare decisions.

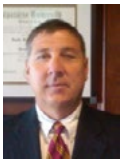
The General Durable Power of Attorney is often chosen as a way to plan for those times when you are incapacitated. Consequently, having a General Durable Power of Attorney with a specialized agent allows your affairs to be handled easily and inexpensively. Prior to when the General Durable Power of Attorney was created, the only way to handle the affairs of an incapacitated person was to appoint a guardian; a process that frequently involves complex and costly court proceedings, as well as the often humiliating determination that the person was wholly incapable and in need of protection. Additionally, the Court proceedings would

be of public record; therefore, allowing the world to know of this unfortunate time in a loved one's life.

The most important part of creating a General Durable Power of Attorney is choosing an agent. The agent is the person you select to carry out the duties you have outlined in the General Durable Power of Attorney. The agent should be someone you trust to carry out your wishes, someone who will not take advantage of you when you are incapacitated, and someone who is willing to serve as your agent. The agent is usually a family member or a friend; however, you may choose anyone.

Once you have signed a General Durable Power of Attorney, you should inform your physician, your family, your banker, your insurance agent and your financial/tax advisor. You should also have multiple copies in case of your subsequent incapacitation. It is best to store such a valuable document in a personal safe or a safe-deposit box at your local bank branch.

In addition to the above, it is extremely important to note that if you change your mind after creating the document you may amend, modify and/or revoke said General Durable Power of Attorney at any time.



About David Barker J.D.

Barker Has Developed His Legal Practice In A Variety Of Platforms Ranging From Partner In A Prestigious Indianapolis Firm To Traveling The World As Lead Transaction Attorney For Thomson Multimedia And Now Managing His Own Firm Located In The Vibrant Carmel, Indiana Arts & Design District.

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CHILDHOOD ADVENTURES WITH GRANDMA

By Norm Wilkens

A young person's imagination can be a wondrous thing to behold. And, when adults play into the fantasies, it becomes even more wonderful. As a child of five years, my imagination knew few boundaries. If it existed in our backyard, I could imagine all sorts of marvelous adventures. Just give me a piece of rope and a wagon, and I was off to the never-never land of excitement. Add to this an occasional weekend trip to my Grandma Wilkens house, and the adventures took on a completely different dimension.

An over-night stay at Grandma's would usually begin on a late Friday afternoon. I was delivered to the care and feeding of my grandparents by my mother who would drop me off usually after the evening meal. After a short play time with the local in-house toy chest, it was off to a big double-bed with snuggle-down blankets. I remember the bed because it was at least three-

double-bed with snuggle-down blankets. I remember the bed because it was at least three-times larger than my bed at home.

The waking process was the beginning of the "Adventure" for the weekend and my growing imagination. My grandmother would awaken me with the sound of a buzzing bee. And, she would gently come beside me in the bed and pretend to "sting" me awake. The stings were more like tickles and proved the awaking process was effective.

Once washed, dressed and fed, it was only a matter of a short time before Grandma and I boarded a local streetcar for an exciting trip to downtown Indianapolis. These weekend adventures took on a basic format over the years. Usually, we would arrive in the center of the city in time to do a bit of adult shopping. My Grandma was aware of my lack of interest in this part of the weekend festivities, so, she would speed through her list of things to acquire.

Next would be a stop at Woolworth's, a local "Five and Dime" Store, for a bite of lunch. We always sat at the counter, but I was usually too excited to eat more than a "bite." Grandma would insist that I needed to finish my meal to keep up my energy for the rest of the adventures. It was what was about to take place, that was the best part of the day! We were off to one of the local movie houses for a show!

Downtown Indianapolis had at least a dozen movie theaters in those days, and, quite often, there was a stage show that accompanied the matinee. Keep in mind, this was years before television. Not only did we get the latest Hollywood comedy or drama, but live performances as well. It is difficult to imagine what all that glamor and excitement did to my childhood life. It added another dimension that a whole backyard couldn't provide. The various acts of acrobatics, juggling, dancing and singing, opened my eyes and mind to a world of entertainment that had no boundaries. And, when you throw-in "Laurel and Hardy", the "Bowery Boys" or a "shootum-up Western," on the same bill, it just didn't get better than that.

After leaving the theater, there was time for a quick ice cream treat, and picking up an inexpensive toy that would occupy the rest of the day at Grandma's. My Dad would usually pick me up early on a Saturday evening and bring me back to the reality of home life minus the expanded adventure of the city.

These adventures at Grandma's continued for several years until

my sister, who was two and a half years younger than I, joined the experience. She didn't have an iota of the interest in movies or stage shows that I enjoyed, so, it didn't take too many downtown visits before we decided that we would discontinue the excursions.

Even though it has been over seventy-five years since those early days of "adventure", they remain vivid reminders of times that were real…not imagined!

About the Author: Norm Wilkens

A nationally recognized speaker and writer, Norman Wilkens has traveled to forty-seven of the fifty states speaking on topics of marketing, advertising and public relations. His most noteworthy subjects include: Healthcare Marketing; Multi-generational travel and Baby Boomers - their contribution to society and economics. He is presently serving as Midwestern Contributor to California's AAA WESTWAYS Magazine.

Among Wilkens' current activities are the Butler University Alumni Board of Directors; Butler's Central Indiana Alumni Chapter Board; Chairman of the Board of Visitors for the new Communication College of Butler; Board of Directors of Ruth Lilly Educational Foundation; Salvation Army of Indiana Advisory Board and as an Elder at Second Presbyterian Church of Indiana.

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