



## Protect Yourself Against Spearphishing

**T**he Russian conspiracy to meddle in the 2016 presidential campaign relied on a common scam called “spearphishing.” While the history-making scam may sound sophisticated, this form of digital fraud is running rampant. Anyone using email is likely to be attacked these days. Here are some tips to protect yourself.

In a spearphishing attack, a hacker sends you an email message to trick you into disclosing your username and password to a secure account. The message looks like it’s from a legitimate source you trust.

You click on the link and, unbeknownst to you, you install a program that records your next 100 keystrokes. The email from a trusted source was a Trojan Horse, malicious

software that sends your password and user ID to the hackers.

New variants of the scam are



appearing so fast that anti-virus software can’t keep up, which puts you on the front line in defending yourself from attack. Perhaps the most important way to thwart an attack is by looking at links in emails before clicking.

In this popular spearphishing scam, hovering over the link in the email displays a website address that is

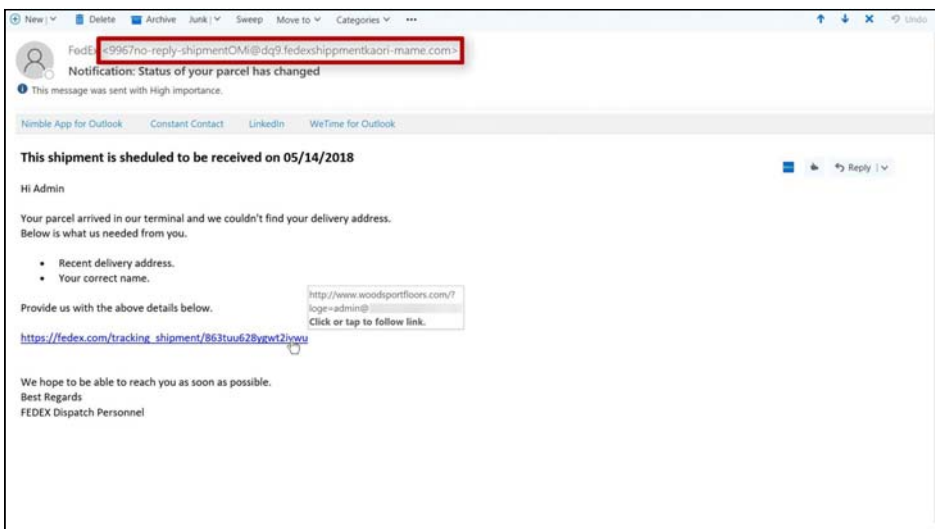
## Fall Update

**T**he S&P 500 hit highs in September and finished Q3 up 10.4%, small-cap US stocks finished up 11.5%. S&P 500 earnings per share grew 27% year over year in the quarter—compared to their 6% long-term annualized rate. Record levels of share buybacks were another pillar of support for the US market. Developed international stocks ended Q3 down 1.3% YTD, while emerging-market stocks were down 8.9%. In fixed-income markets, the 10-year Treasury yield rose to 3.05% at the end of September, flirting with a seven-year high. Core investment-grade bonds had a negative return in September and were flat for the quarter. The Federal Reserve has raised rates three times this year with a fourth teed up for December.

No one knows exactly when this record-long US bull market will end. US stocks look expensive by some measures, and there are reasons to think the near and medium-term outlook may not be as rosy. The US economy is operating at or near full capacity and full employment. It’s certainly possible US stocks will continue to be favored by investors over the near term, although October has witnessed increased volatility and several small scale sell offs.

We strongly believe that a key element of our investment process is our discipline in maintaining a multiyear perspective rather than over-reacting to short-term price volatility, performance swings, daily news flow, and other behavioral triggers. It’s easier said than done, though, especially amidst an unprecedented stock market run and a seemingly unending string of unnerving geopolitical headlines. If you have any questions or concerns about your individual situation, please do not hesitate to contact us.

Thank you for your continued confidence and trust.



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# Sidestepping New Limits On Charitable Donations

If you think you're no longer allowed to deduct items like charitable donations on your income tax return, think again.

The new tax law doubled the standard deduction, slashing the number of Americans eligible to itemize deductions from 46 million to 20 million.

However, if you are among those who will lose your ability to deduct charitable donations, there is a simple strategy for managing the new limits on charitable giving, and it enables you to continue doing good while doing well for yourself by reducing your tax bill.

The strategy is simple: bunch a few years of donations into a single tax year instead of making them annually.

Rather than report charitable donations on your tax return every year, you bunch two or more years of contributions into a single tax year — enough to boost the charitable total



above that year's standard deduction.

Say you're married and you give \$10,000 in Year 1, \$6,000 in Year 2 and \$10,000 in Year 3. Your \$26,000 total

limits without losing the tax benefits.

And if you can plan to make the larger donations in a year when you expect higher income, bunching

charitable donations can be even more effective in lowering your tax bill.

We'll be speaking with clients about this in the months ahead because this tactic does take some planning in advance.

If you have any questions about your personal situation, please do not hesitate to give us a call. ●



# Paying Off A Mortgage And The New Tax Code

Among the most prized tax deductions to get trimmed by the Tax Cut And Jobs Act was the monthly mortgage interest. Should you pay off your mortgage, if your mortgage interest deduction is gone? The answer more often now is "Yes," providing you can afford to retire the debt. If you can't afford that now, aim to do it as soon as you can.

Due to a large increase in the standard deduction, fewer taxpayers qualify for the mortgage interest deduction. The standard deduction under the new tax law almost doubled to \$12,000 for single filers and \$24,000 for married couples. Only people with

deductions of more than those amounts can itemize and deduct their mortgage interest.

Piling up that much to itemize, especially for couples, will be difficult. As a result, the Tax Policy Center estimates that only 20 million Americans will itemize in 2018, as opposed to 46 million, had the tax law not changed.

Other changes in the law lessen the benefit of carrying the burden of a mortgage. There's now a \$10,000 cap on deductions for state, local and property taxes. Before the law changed, the amount you could deduct was unlimited.

In addition, you are restricted from deducting interest on home equity loans if you use the debt for anything other than buying, building or upgrading a home. If you want to use the home equity loan for a tuition payment or to purchase a boat, Uncle Sam won't allow it anymore.

If you have deductions totaling more than the \$12,000 and \$24,000 thresholds, you can still itemize. In many cases, you can save more money by erasing your mortgage than you could earn in "risk-free" investments.

Here's the math. Say you have a \$300,000 mortgage, which is about the average amount nationally, at a 4%

# Economic Facts To Prepare For The Elections

**W**ith the mid-term elections approaching and the political stakes increased, the level of misinformation on economic conditions is likely to rise.

To avoid making bad financial decisions based on distortions and outright lies constantly on TV news, here are economic facts to survive the political season.

As the election nears, you are likely to hear on TV the news that Americans are suffering from slow growth in wages and personal income. That's just not true!

Wages and benefits, the key drivers of the U.S. economy, grew at a 4.4% annual rate. Consumers have more money in their pockets!

Meanwhile, the interest and dividends portion of personal income surged 6.4% in the 12 months through July 2018 — welcome relief for retirees.

Disposable personal income, before inflation, grew 5.3% in the 12 months ended July 2018.

That equals the rate of growth in personal disposable income in the last economic expansion!

Yet politicians and pundits across the political spectrum often bemoan stagnant wages and income.

Real disposable personal income per capita grew by 2.2% in the 12 months

ended July 2018, compared to the 1.8% five-year annualized growth in the peak of the last economic expansion.

You're also likely to hear more talking heads on TV news saying inflation is rearing its ugly head again.

They're not lying but they're often not giving you all the facts.



A key inflation index that U.S. central bankers at the Federal Reserve consider in deciding interest rate policy, the Personal Consumption Expenditure Deflator, poignantly is doing what's expected by policymakers.

The Fed chair, according to the minutes of the Federal Open Market Committee meeting recently released, expects inflation to hover around 2%.

It may go above 2% for a time and that is expected. But it may also go slightly below 2%.

Meanwhile, at 2.3%, the PCED deflator is above the Fed's target of 2%,

but the Core PCED, at 2%, is right on target — and that is the key figure.

The core PCED is a basket of fixed monthly expenses that excludes gasoline and other volatile expenses.

It's all about long-term expectations, which is how you want the Fed to think if you're an American investor.

The cost of an employee in the U.S. rose 2.8%, but core PCED grew only 2%. That means employees are getting wage increases because the cost of an employee rose, but the core inflation rate did not reflect the rise! That's a free lunch!

Productivity surged in the second quarter of 2018, which explains why inflation did not rise as fast as wages and benefits, and that's about the best thing you could hope for: increased productivity.

Unit labor costs declined! The cost of an employee went down!

Rising wages and benefits were offset by a 2.9% surge in productivity!

Productivity is a key to prosperity for the American economy.

Labor costs, by far the biggest driver of inflation, declined in the second quarter by almost 1%.

This was a reflection of the surge in second-quarter productivity.

The University of Michigan's monthly survey of confidence dropped from 97.9 in July to 96.2 in August. No irrational exuberance here.

Consumers are not about to go on a debt binge, stop saving, or make speculative investments.

Which brings us to the Standard & Poor's 500 stock index.

Despite a looming trade war with China, U.S. political polarization, and a Presidential political crisis, the economy is great, according to shareholders in America's largest publicly-owned companies.

As the current expansion closes in on the post-War record for longevity, investors can expect the coming elections to stir up the false narrative of stagnant wages and slow income growth. Don't believe it. ●



yearly interest rate, and are in the 30% percent marginal tax bracket - 24% federal and 6% state levies combined.

If you pay off the mortgage, you no longer have to pay roughly \$12,000 annually in interest. When you did pay it, you received a tax deduction worth \$3,600 - 30% of the mortgage interest. So

that means, after the loan is retired, you saved \$8,400. That beats the risk-free Treasury bond return. ●

# The Big New Tax Break For Pre-Retired Professionals

**P**re-retired dentists, doctors and lawyers as well as other independent professionals may be able save tens of thousands of dollars in income taxes annually during their peak income years under the new federal tax regulations. The new rules are complex. Here are 10 things pre-retired business owners need to know about qualifying for a 20% reduction in qualified business income under Section 199(A) of the new Internal Revenue Code:

1. Sole proprietors, LLCs, S corps, partnerships and other pass-through entities qualify.

2. Real estate and rental business income — including self-rentals — may qualify.

3. Some businesses are specified as ineligible and you may need a professional to determine if you qualify.

4. Service-business owners could get a deduction on 20% of their income, subject to income limitations.

5. A business owner with \$315,000 in taxable income owes tax on only \$252,000 —

saving more than \$12,000 of income tax.

6. If you are married filing jointly and have more than \$315,000 of income, the 20% deduction is subject to a phase-out. The phase-out begins at \$157,500 for single filers.

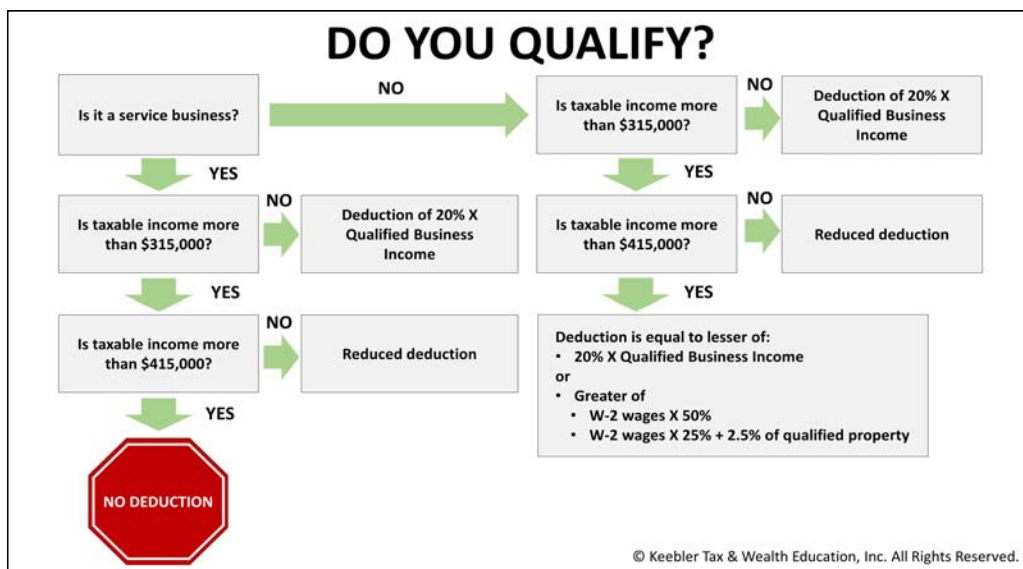
7. If you have more than \$415,000 of income from the service business, the 20% deduction is eliminated (\$207,500 for single filers).

8. To keep your income below

these thresholds, consider contributions to a defined benefit (DB) plan.

9. DB plans require you to commit to funding a defined benefit plan instead of a defined contribution plan, making them more complex.

10. A DB plan can supercharge retirement savings while minimizing your taxable income to enable you to qualify for the 20% deduction for business owners. ●



## Protect Against Spearphishing

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absolutely, positively not Federal Express. And the email address from which this message was sent is plainly NOT a legitimate Federal Express dot-com account. Often the “From” address will tip you off to a fraud.

Phishing emails, until recently, were easy to spot because they commonly contained misspellings, grammatical errors and company branding mistakes. A scan of hundreds of recent

phishing messages indicates fewer of these telltale signs. The scammers are getting smarter.

While the cat versus mouse game has of late been won by the evildoers,

software solutions are growing stronger. For example, Microsoft Office 365 online users now have a way of designating a message as “Phishing.” This new feature for “blacklisting” a

malicious message prevents a scam from hitting you twice and gives Microsoft information about its origin. Of course, updating your anti-virus software is always a must. If you ever have any questions about emails you receive from us, please do not hesitate to call us. ●

