



THE *Advisor*

SPRING 2018 | VOL. 7

*making the new
tax laws work
for you*

TAXES AND YOUR
BOARD OF DIRECTORS

MAKING THE
2018 TAX LAWS
WORK FOR YOU

TAX CUTS AND
JOBS ACT

NONPROFIT
SPOTLIGHT:
POWER

*Securities offered through LPL Financial, member FINRA/SIPC.
Investment advice offered through Fragasso Financial Advisors, a
registered investment advisor and separate entity from LPL Financial.*

FRAGASSO
FINANCIAL ADVISORS
We guide. For life.
FRAGASSOADVISORS.COM





TABLE of *CONTENTS*



I OPENING LETTER *Michael Godwin, CFA*

IV CONTRIBUTORS

1 TAXES AND YOUR BOARD OF DIRECTORS *Robert Fragasso, CFP®, AIF®*

3 MAKING THE 2018 TAX LAWS WORK FOR YOU *Brianne King, CFP®, AIF®*

7 TAX CUTS & JOBS ACT *Brianne King, CFP®, AIF® and Amy Stover*

9 ADULT FINANCIAL EDUCATION *Christine Robinette, CFP® and Marsha Posset*

13 TAX BENEFITS AND RETIREMENT PLANS *Robert Yelenovsky, AIF®*

17 CLIENT PROFILE FEATURE *Michael Fertig, AIF®*

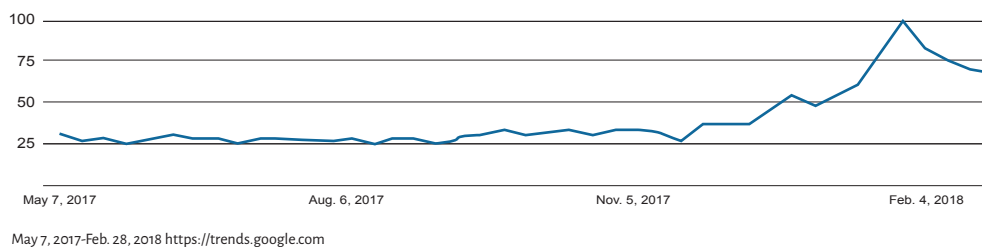
19 NONPROFIT SPOTLIGHT: POWER *Gregg Daily, AIF®*

21 HAPPENINGS AND ACCOMPLISHMENTS *Gabriella Vaccaro*





Taxes have been an extremely popular topic this year, for obvious reasons. As shown below, Google trends show a huge spike in tax related internet searches at the end of January.



While we can debate the merits of cutting individual tax rates at this point in the business cycle, what generally isn't debatable is the importance of maintaining a tax-efficient portfolio, including taking advantage of tax-loss harvesting opportunities. The IRS has a rule that stipulates that if an investor sells a position at a loss they may not repurchase the security (or a virtually identical instrument) for more than 30 days. Doing so will create a "wash", and the investor will not be able to use the losses to offset any gains. Thus, a great amount of due diligence is required to maintain the integrity of taxable portfolios while also mitigating taxes paid to Uncle Sam.

As we manage portfolios, we strive to preserve a buy and hold mentality. We'd rather not hurry and sell a stock should the company perform well in a particular quarter; active management shouldn't require constant activity. However, we also don't want to stubbornly hold onto businesses that continue to disappoint. Famed investor Peter Lynch once referred to this behavior as "cutting the flowers and watering the weeds." That being said, during periods of market volatility, it pays to take advantage of market weakness and recognize losses where applicable.

I've always been somewhat dismayed when advisors and investors focus on tax-loss harvesting strategies solely towards the end of each calendar year. That is certainly a

crucial time to review portfolios as yearly capital gains and losses are finalized by December 31st, but the decisions (or lack thereof) that are made throughout the year have just as much importance on your tax bill as those that are made in December. That is why we review each taxable account, at least quarterly, to determine if any tax strategies can be enacted.

Though we preach diversification and believe over time it offers strong risk-adjusted returns, diversification can be a double-edged sword. I'm fond of saying "diversification means always having to say sorry for something", and while we are adamant proponents of diversification and asset allocation strategies, we recognize that not every investment is going to produce a winner. While each security ultimately has a purpose in a portfolio, those that are detracting from overall returns are always seen as a sore spot. One silver lining of these investments in a taxable account is that you have the ability and may consider selling and using the loss to offset any current or future taxable gains that you may incur.

Working with us and your tax advisor, by harvesting losses and maintaining tax-efficient portfolio's may save you money over the long run and hopefully boost a return that really matters - your after-tax return.




MICHAEL GODWIN, CFA

MANAGER OF PORTFOLIO STRATEGY

Source:

¹ <https://www.forbes.com/100-greatest-business-minds/person/peter-lynch>

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.



Ensure your employees know that they are valued to the fullest extent.

Corporate Offerings Programs

Executive Financial Planning & Employee Financial Education

Companies spend a considerable amount of money on fringe benefit components, yet employees often take their employer's fringe benefit package for granted and do not dedicate the time to maximizing its value. Studies have shown that employees anticipate a harder time achieving retirement preparedness than their parents. They feel overwhelmed by retirement plan investment choices and suffer from inertia because they don't know what to do.²

Let Fragasso help by providing the missing piece of your company's fringe benefit offerings – the empowerment of managers and employees to take charge of their unique life goals, personal and retirement plan assets, risk management and estate planning so they can focus on their professional goals and the company's objectives.

² 2016 PGIM Investments study (<https://www.pgim.com/pgim-investments/retirement/perspectives/retirement-preparedness-study>)

For more detailed information on Fragasso's Corporate Offerings programs, please call Marsha Posset at 412.227.3200.

Executive & Management Team Financial Planning

This program includes all of the components of Fragasso's client experience for financial planning and asset management.

- Evaluation and incorporation of the company fringe benefit package into guidance for the individuals
- Stock option management for officers of publicly held companies
- Executive compensation guidance, including deferred compensation
- Investment portfolio and alternative investments evaluation
- Coordination with professional advisors, such as attorney, accountant and banker
- Retirement planning, estate planning and much more...

Contact Fragasso for complete list of services. Executive Financial Planning services include data discovery, complete financial analysis and implementation of improvements, as well as quarterly meetings.

General Workforce Financial Education Seminars

Fragasso Financial Advisors has over forty years' experience in providing adult financial education. All courses are strictly educational and non-commercial.

COURSES AVAILABLE

Successful Money Management

This course focuses on the accumulation of wealth through financial planning tools primarily available within the company's fringe benefit program. Topics include: investment selection and monitoring, retirement education funding, insurance needs and more.

Can You Afford to Retire?

Financial Management in Career Transition

To ease the impact of work force downsizing, pre-retirees learn how to use basic financial principles and begin to strategically plan for their comprehensive retirement needs.

A Financial Workshop for Women

Taking Charge of Your Finances

Similar to the Successful Money Management course, but this presentation is designed for organizations and companies where this gender focus is desired.

CONTRIBUTORS



JENNAE BACKO
Assistant Manager of Marketing
Associate Editor and Photographer



GREGG DAILY, CFP®, AIF®
Senior Vice President
Investment Advisory Services



ROBERT FRAGASSO, CFP®, AIF®
Chairman and Chief Executive Officer
Publisher



MICHAEL FERTIG, CFP®, AIF®
Senior Vice President, Cool Spings
Financial Advisor



BRIANNE KING, CFP®, AIF®
Manager of Financial Planning



NADINE KUNDROD
Graphic Designer & Social Media Specialist
Art Director



MARSHA POSSET
Manager of Marketing
Editor in Chief



CHRISTINE ROBINETTE, CFP®
Client Experience and Strategic
Implementation Manager



AMY STOVER
Insurance Analyst
Client Services Associate



GABRIELLA VACCARO
Marketing Intern



ROBERT YELENOVSKY, AIF®
Senior Vice President, Retirement
Plan and Institutional Advisors

TAXES AND YOUR BOARD OF DIRECTORS

by **ROBERT FRAGASSO, CFP®, AIF®**



**Tax time has a way of making us resolve to save taxes going forward.
But that inclination feels a bit like the story about horses and barn doors.
It is also situational, but our tax saving actions should be year round
and part of a planned and replicable program.**

Tax saving strategies, in addition to being part of investment management, should consider all forms of taxation to include federal and state income tax, capital gains tax and estate and inheritance tax. That is a lot, and most people are fully challenged with their occupations, avocations, family responsibilities and recreational and charitable interests. All the more reason to create and utilize your personal board of directors, which should include your accountant, attorney and financial advisor.

First, with regard to federal and state income tax, consider how crucial it is for your accountant and financial advisor to communicate between themselves on your behalf, and with you. Your investments may offer the chance to lock in a gain or a loss. While the motivations for that security sale will be primarily investment consideration driven, it can add meaningfully to your profit or help offset your loss if the action is taken in conjunction with other gain or loss recognition. That's why it is important for your accountant and financial advisor to be freely conversant with each other. Your advisor may not have ready access to other investment information that resides with your accountant, for example, a piece of real estate where gains and losses can be paired. On the contrary, your accountant may not be conversant with the gain/loss situation in your securities portfolio. Connecting that knowledge may mean considerable tax savings.

With federal estate and state inheritance taxes, your attorney, accountant and financial advisor can work together to help fashion your unique approach to saving death taxes and other attendant fees. There may be a reluctance to run up billable time with your accountant and attorney, but consider how much more expensive death taxes are than your professional advisors' hourly rate. It is worth the effort to be sure you've thought of everything and have a coordinated and efficient plan in place.

While you may feel you are the glue that is holding all of that knowledge together, our experience says that often isn't true. Further, once you are removed from the scene, your knowledge contribution goes away. Your spouse and grown children, along with your board of directors, can help assure that your wishes are fulfilled and your assets are preserved to the fullest extent possible.

We, at Fragasso Financial Advisors, have built this board dynamic into our client experience. That's why your advisor here seeks to accomplish the actions we have described. Work with your Fragasso advisor to provide yourself, your assets, your estate and your beneficiaries with the full measure of benefit that can be available with a smoothly functioning board of directors. ■



Making the 2018 tax laws work for you

by BRIANNE KING, CFP®, AIF®

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which has been the most significant tax reform we have seen in over 30 years. With it has come an overall reduction in personal and corporate tax rates, an increased standard deduction, loss of personal exemption, limitation on state and local tax deduction and much more. It is important to note that many changes in the Tax Cut and Jobs Act are set to sunset on December 31, 2025, which means they revert back to our previous year's tax laws on January 1, 2026. So much can, and will, happen over the next seven years with regard to this law and navigating through the benefits and hardships. The effect it will have on the American tax payer will be unique to each individual. Let's begin by going through some of the major changes, and how they may work for you.

We continue to have a seven income bracket tax rate system. While this was lobbied to be more simplified with fewer brackets, it ultimately remained at seven but the income ranges and tax rates have come down.

2017

SINGLE FILER			MARRIED FILING JOINTLY		
TAX RATES	TAXABLE INCOME OVER	BUT NOT MORE THAN	TAX RATES	TAXABLE INCOME OVER	BUT NOT MORE THAN
10%	-	\$9,325	10%	-	\$18,650
15%	\$9,325	\$37,950	15%	\$18,650	\$75,900
25%	\$37,950	\$91,900	25%	\$75,900	\$153,100
28%	\$91,900	\$191,650	28%	\$153,100	\$233,350
33%	\$191,650	\$416,700	33%	\$233,350	\$416,700
25%	\$416,700	\$418,400	25%	\$416,700	\$470,700
36.6%	\$418,400	+	36.6%	\$470,700	+

2018

SINGLE FILER			MARRIED FILING JOINTLY		
TAX RATES	TAXABLE INCOME OVER	BUT NOT MORE THAN	TAX RATES	TAXABLE INCOME OVER	BUT NOT MORE THAN
10%	-	\$9,525	10%	-	\$19,050
12%	\$9,525	\$38,700	12%	\$19,050	\$77,400
22%	\$38,700	\$82,500	22%	\$77,400	\$165,000
24%	\$82,500	\$157,500	24%	\$165,000	\$315,000
32%	\$157,500	\$200,000	32%	\$315,000	\$400,000
35%	\$200,000	\$500,000	35%	\$400,000	\$600,000
37%	\$500,000	+	37%	\$600,000	+



In addition to the lower brackets, changes to the standard deduction and qualified itemized deductions should lead to higher simplification of tax reporting for Americans. While simpler, it may or may not be a benefit to you. The law has almost doubled the standard deductions from previous years. Starting in 2018, married couples filing jointly can take a \$24,000 standard deduction and a single tax payer can take a \$12,000. However, miscellaneous itemized deductions have been repealed, which includes items such as being able to deduct your advisory fee, a deduction that many people took advantage of. Mortgage interest deduction is still allowed up to \$750,000 on new debt acquired after December 31, 2017. However, home equity interest deduction is no longer allowed unless you can prove the loan was used for substantial improvements to the home.

HOW DO YOU MAKE THE NEW TAX LAWS WORK FOR YOU? KEEP IN MIND, IT IS CRUCIAL THAT ANY TAX DECISION BE MADE UNDER THE GUIDANCE OF YOUR ACCOUNTANT AND ALONGSIDE YOUR WEALTH ADVISOR TO DETERMINE IF IT IS APPROPRIATE FOR YOU.

What had been the topic of much discussion even before the tax reform was signed into law was the possible elimination of state and local income tax deduction. Seen as an unfair subsidy by the Federal government to high tax rate state and localities, Congress and the Senate ultimately compromised on a state/local/property tax deduction up to \$10,000 for a single tax payer or married filling jointly. Also eliminated are the personal and dependency exemptions, which

were available to taxpayers whose adjusted gross income was under a certain amount. And finally untouched are charitable deductions, which are still allowed. However, with the increase to the standard deduction, less Americans will be itemizing over the next seven years. Without the direct tax benefit to giving, we hope not to see a pattern of charitable contribution going down with this tax reform.

The alternative minimum tax, also known as AMT, survived the tax reform much to many tax payers chagrin. When you fall into AMT range, certain deductions are added back into your income to ensure a minimum tax is paid. A few deductions that were considered preferential and added back in were state and local taxes and personal and dependency exemption. With these deductions modified or eliminated, along with an increase to the AMT exemption and phase-out threshold, it is predicted that few taxpayers will fall into AMT with the new tax reform.

Now that we have highlighted some of the significant changes to the tax laws, how do you make the new tax laws work for you? Keep in mind, it is crucial that any tax decision be made under the guidance of your accountant and alongside your wealth advisor to determine if it is appropriate for you.

First, be smart about your tax savings. If you find yourself with additional income in your pay check in 2018, consider saving it and not spending it. A small amount of savings can go a long way when invested properly and can have a tremendous impact on your future. Or, if you have credit card debt, take that additional cash and apply it to the balance every month. The



high interest on credit cards can become a burden very quickly. Look to reduce debt with this found money.

Secondly, take advantage of the lower tax brackets while we have them.

Our tax system does not apply one rate to all of your income, but rather it is tiered as your additional income moves you up through the tax brackets. This helps us get to a number of what is called your marginal tax rate. Your marginal tax rate is the amount of taxes paid on additional income. If your marginal income rate is now lower than it was in 2017, you may have a couple planning ideas to consider. A ROTH conversion might make sense for you. The ROTH IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 1/5 or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of ROTH IRAs. Their tax treatment may change. A ROTH conversion is when you take all, or a portion of, your pre-tax Individual Retirement Account money and convert those dollars to a ROTH IRA. The pre-tax dollars will be taxed at a lower marginal rate and will help to reduce your future taxable income by reducing the amount of Required Minimum Distributions that you must take from your IRA's beginning at age 70 1/2. Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a ROTH IRA. The converted amount is generally subject to income taxation.

It isn't just pre-tax IRA's that can cause a tax burden. Have you built up a large amount of capital gains in stock in your personal account? Even the best companies come with risk when you are overly concentrated. While the capital gains are taxed at 0%, 15% or 20% and have remained unchanged, selling a stock at a gain increases your marginal tax rate, which are now reduced through 2025. Now may be an advantageous time to start unwinding concentrated stock position.

Finally, consider if rethinking when you make your charitable contributions will work for you.

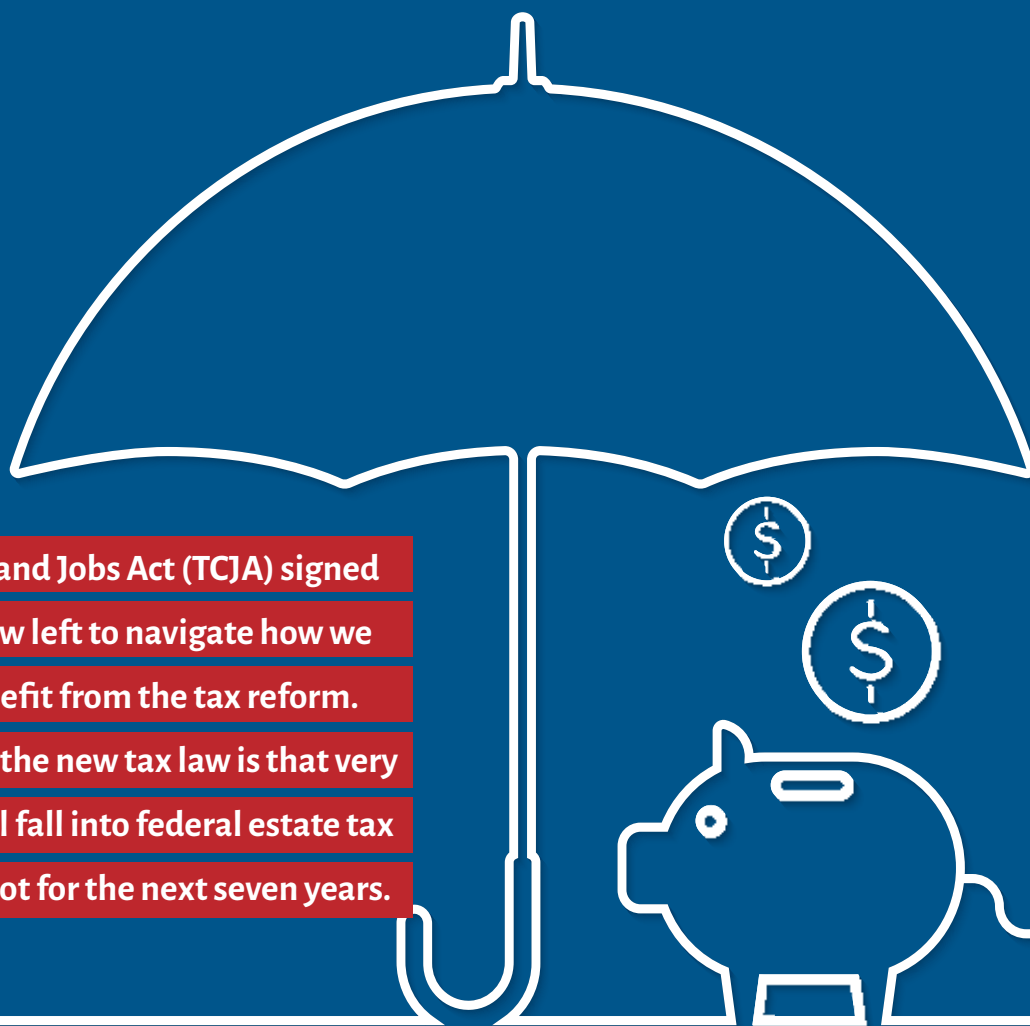
With all the changes to the standard deduction, the gifts you previously made every year may not translate to a direct tax benefit for you. If you are going to make regular gift to charity, consider giving them in a lump sum rather than year over year. This may allow you to have a deduction above the standard deduction and decrease your taxable income.

AS ALWAYS, FRAGASSO IS HERE TO HELP ANSWER ANY QUESTIONS YOU MAY HAVE REGARDING THE TAX CUTS AND JOBS ACT AND ITS DIRECT IMPACT ON YOU. WE WELCOME THE OPPORTUNITY TO WORK ALONGSIDE YOUR ACCOUNTANTS AND ATTORNEYS TO HELP YOU AND YOUR FAMILY BENEFIT FROM MOST SUBSTANTIAL TAX REFORM THAT WE HAVE SEEN IN DECADES.

TAX CUTS & TAX CUTS & JOBS ACT

—
by BRIANNE KING, CFP®, AIF®
AND AMY STOVER

With the Tax Cuts and Jobs Act (TCJA) signed into law, we are now left to navigate how we will or will not benefit from the tax reform. What is clear with the new tax law is that very few Americans will fall into federal estate tax territory, at least not for the next seven years.



The federal estate tax is the flat 40% tax owed when a person passes away with assets above a certain amount. Under TCJA, the credit amount that you can give away or transfer upon death has been doubled to \$11,200,000 per person or \$22,400,000 per married couple. A married couple can transfer an unlimited amount of assets to each other without utilizing any of their credit.

Doubling of the credit amount to the highest it has ever been, with the exception of 2010 when the federal estate tax was repealed entirely for the year, leaves us wondering if the need for advanced estate planning is now gone. While true as the law stands now, most American families will not have an estate tax bill, but we cannot forget that many aspects of the TCJA are set to sunset on December 31, 2025. This 22 million dollar federal estate tax credit is one of them. With the federal estate tax credit having moved dramatically over the past 17 years, it was \$675,000 in 2001, a lot of people have estate plans built around the premise that tax would be owed. A popular planning strategy has been to indemnify your estate against this tax with the purchase of life insurance. With the tax virtually eliminated for most people, it may be time to evaluate the need for this insurance and determine whether it is still the most appropriate type of insurance for you and your family. While we do not have a crystal ball on what the federal estate tax will look like in the future, reviewing why insurance was put into place is always a good starting point to decide if it is still a good fit.

When re-evaluating the suitability of life insurance coverage, you'll want to keep these questions in mind:

What was the original purpose for purchasing the policy and has that changed?

If you originally purchased the insurance to ensure your heirs receive a defined inheritance amount, keeping your current policy may be the most cost effective way to do that. Always keep in mind that insurance is based on your age and your health at the time the policy is issued. Changes to both can affect your premiums and insurability.

What is my current insurance need?


Insurance is purchased for a variety of reasons depending on what stage of wealth planning your family is in. At the wealth accumulation phase, income and savings replacement are the most impressed upon insurance needs for families. As you move into wealth preservation stage, legacy planning may be your driver for owning an insurance policy. Or, long term care may become your biggest concern and you may be interested in exploring an insurance policy with a long term care rider. As your goals change, it is important to review your current policies first to determine if they can be modified to meet your needs. Life insurance contracts can be modified or replaced without creating a taxable event if a 1035 exchange is allowed.

Contact your financial advisor for a consultation on any current enforced contracts to determine the most beneficial option for your unique situation. ■

ADULT FINANCIAL EDUCATION

by **CHRISTINE ROBINETTE, CFP® AND MARSHA POSSET**



The background of the page is a dark blue gradient with a dense pattern of white line-art icons. These icons include various financial symbols like dollar signs, coins, and a clock, as well as lifestyle and security-related symbols like a house, a shield, a person, a hand holding a coin, a globe, and a shopping cart. There are also some abstract shapes and a speech bubble with '24/7' inside. The overall theme is financial planning and security.

We all know that Americans are facing a number of serious issues, such as affordable healthcare, threats from terrorists, gun regulation, unemployment and homelessness to name a few. One of the other biggest challenges America faces is financial literacy, and it's an issue that has very little funding or comprehensive programming. Eighty-five percent of Americans are concerned about retirement preparedness, yet the median retirement account balance is \$3,000 and \$12,000 for working-age households and households approaching retirement respectively.¹

At Fragasso, it is in our nature to be concerned about this issue. Retirement preparedness is one of the top goals among our clients. In addition to educating our clients on the principles of financial planning, there are a few ways in which Fragasso provides financial education to others seeking this knowledge. For example, educational materials like whitepapers, blogs and news articles are available to our social media followers and website visitors, as well as, past radio show episodes of *The Advisor*, which aired during 2017.

¹https://www.huffingtonpost.com/douglas-p-mccormick/financial-literacythe-big_b_10264622.html



Currently, many of our financial advisors are spending their evenings at the campuses of the Community College of Allegheny County (CCAC) teaching adult education courses. About a decade ago, Fragasso was very active teaching non-credit courses at various institutions, as well as seminars for corporations. This initiative was successful in obtaining clients. Classrooms are filling up again, and people are seeking information on finance, particularly on retirement.

The courses we offered during the spring semester at CCAC were as follows:

Can You Afford To Retire?

Designed for pre-retirees to learn how to anticipate and strategically plan for their comprehensive retirement needs

Successful Money Management – Accumulate Wealth

Designed for those who are in the beginning stages of accumulating wealth who will learn how to use basic financial planning principles and tools to their advantage

Maintaining Your Lifestyle Throughout Retirement

Designed for those already in retirement or those planning to retire in the very near future, this course teaches how to maintain a financially comfortable retirement

These courses are not about how to choose the right model or specific investments. The content focuses on how to use basic financial principles and the steps that are imperative before the investment selection process. We provide education on the totality of financial planning, which is the same methodology Fragasso utilizes to create financial plans for our clients.

Each course has a section on the historical perspective of the markets and how that can impact decisions on your investments today. We also look at how taxes and inflation can affect one's total return. We illustrate how important it is to analyze and determine your risk depending on your timeframe with each investment.

Equally important, if we are educating on what one needs to think about when building their nest egg or working toward their financial goals, we must also consider the different scenarios that can eliminate a nest egg or derail progress towards financial goals. Those areas include:

- Life insurance risks and needs
- Disability, and how it may impact income and savings
- Long term health care costs and how quickly they are rising
- Estate taxes and gifting
- How to prepare for unfortunate life events, such as divorce or death of a spouse

Other common needs we address are college planning and retirement planning. There are many areas that need evaluation in regards to retirement planning: social security, Medicare and how to maximize one's company retirement account or pension. There are many other ways to save for retirement. We present those options so that you can implement the savings plan that is right for you.

Included in our seminars, each course attendee, or couple, has the opportunity to receive a complimentary consultation and financial analysis from Fragasso.

Our seminars can be taught to all types of groups, associations, non-profit organizations and public or private companies. Please do not hesitate to contact Fragasso if your colleagues, church group or any civic/non-profit organizations you are associated with can benefit from our financial education seminars. ■



TAX BENEFITS AND RETIREMENT PLANS

by **ROBERT YELENOVSKY, AIF®**



With all of the talk today about tax reform, I am still surprised that the majority of people I talk to, from business owners and executives to rank and file employees, few people understand or take advantage of the many tax benefits of retirement plans. We are living much longer, and the amount of money people need during their retirement years has increased.

In this article, I will highlight the many benefits to both the employer and employees participating in their company plans on how to begin and then maintain an effectively-designed retirement plan. I will also address a few other tax-advantaged savings plans such as Simple IRAs, SEP IRAs, Roth IRAs and Health Savings Accounts (HSAs), which can help supplement the workplace retirement plan.

Two plans that are easy to establish, as well as maintain, are SIMPLE and SEP IRAs. These are both established by an employer, have little to no start-up costs and no reporting requirements.

The **SIMPLE IRA**, for employers with fewer than 100 employees is employee-funded, requires a small match from the employer and allows for contributions up to \$12,500 plus another \$3,000 “catch-up” contribution for those over the age of 50 (for 2018). At a minimum, the SIMPLE IRA allows for both the employer and their employees to save for retirement without a lot of cost or hassle. Account fees have recently decreased and some plans allow for fees to be paid by the business for additional tax incentives.

The other qualified IRA to be established by a business is the **SEP IRA**. This is only employer-funded and allows for discretionary contributions up to the lesser of 25% of pay or \$55,000 (for 2018). The SEP IRA can be set up for sole proprietors, partnerships, corporations, non-profits and governmental entities. It can be established up to the tax filing deadline, including all extensions. There are no reporting or filing requirements either.

For business owners who would like to defer more for themselves and their employees, as well as have additional options available to them, a **401(K) PROFIT SHARING PLAN** may be a good choice. As previously stated, many financial advisors, business owners and their CPAs do not fully understand how to maximize their ability to save for retirement tax-efficiently with the help of these plans. I experience this week after week during my consultations with business owners. Often times they often ask “why didn't my CPA or financial advisor tell me about this?” I've digressed.

Employees can contribute up to \$18,500/year, plus another \$6,000 for those over 50 years of age (2018 limits). Participants may also have the option to deduct the compensation as a Roth contribution with no income restrictions, like a Traditional Roth IRA would have. There are many tax benefits with **ROTH CONTRIBUTIONS**, the most impactful being tax-free distributions at retirement (no tax on the gains) assuming you have had the account for 5 years and are over the age 59 1/2. There are also possible benefits to





their heirs, as their distributions are not taxed. Employer match dollars are deposited into the pretax portion of the employee's account. Your Roth contributions are indicated separately on your statement. Your investable assets, however, are all in the same bucket and invested however you have set up the portfolio. The employer makes contributions to the plan through a number of match formulas and discretionary profit sharing options. These contribution limits are the same as the SEP IRA, with the lesser of 25% of pay or \$55,000 (for 2018). Keep in mind that future tax laws can change at any time and may impact the benefits of designated ROTH accounts.

For those business owners (including owner-only) who would like more of a contribution from the business, you could consider adding a **DEFINED BENEFIT PLAN OR A CASH BALANCE PLAN**. Defined benefit plan contribution limits are not expressed as an annual limit but rather based on a benefit at normal retirement age. These plans are rather complex and require the help of actuaries, but because the benefit limits help both the employer and the employees, these “combo” plans are potentially worth the small amount of time it takes to explore.

In addition to the qualified plans offered by the employer, employees still may qualify for an **INDIVIDUAL IRA OR ROTH IRA**. Both of these allow an individual to contribute up to \$5,500 plus an additional \$1,000 if you are over age 50 (for 2018). Income limits vary whether you are single or married and whether you or your spouse participate in an employer-sponsored plan, but there are still advantages to setting up an Individual IRA or Roth IRA that should be considered.

Last but certainly not least, if your employer offers a high deductible health plan, you can also contribute to a **HEALTH SAVINGS ACCOUNT (HSA)**. I will take a deeper dive in a future article to explore the HSA, but worth noting are the triple-tax benefits of tax deductible contributions, including social security and Medicare to the HSA, tax-deferred growth and tax-free distributions (as long as they are for health-related expenses). There is no other savings vehicle I know if that offers the triple tax advantage.

If you are an employer that may benefit from tax reform, or if the success of your company allows you to afford contributions over and above your current savings program(s), you should consider a review of the options available to you and your employees.

If you are an employee who would like to explore additional savings plans, to include at your company or individually, there are options for you to explore as well. ■

This information was created for educational and informational purposes only and is not intended as ERISA, tax, legal or investment advice.

We guide. *For life.*SM

Fragasso Retirement Plan Advisors - here to help both business owners and employees save for retirement. For a no-cost, no-obligation appointment to review options available, please contact

*Senior Vice President,
Retirement Plan and
Institutional Advisors*
ROBERT YELENOVSKY, AIF®
412.227.3249



client

PROFILES

▶ PAT AND SUE BREDEL ◀



by MICHAEL FERTIG, CFP®, AIF®

Having spent their careers as veterinarians, it's no surprise that Pat and Sue Bredel still love to spend time with animals. They currently reside in Deep Creek, Maryland along with their 4-legged children: their dog Cookie and cats Tommy and Michael. The entire crew also spends the winter months at their home in Miramar Beach, Florida.

Pat grew up in a family with his six siblings. His father ran a business building truck beds but always dreamed of having a farm. He was eventually able to make that dream come true with a farm in Little Washington, PA where he raised horses. On the farm, Pat's siblings were more mechanically inclined which left Pat placed on animal duty. He soon found out that was the right place for him because not only did he love the work, but the exposure of working with animals would one day lead Pat into the veterinary field.

Pat attended Mon Valley Catholic High School and then studied at Penn State University for his undergraduate degree. He obtained his VMD (Veterinariae Medicinae Doctoris) degree from the University of Pennsylvania. He would soon meet his future wife, who coincidentally was on a very similar path.

Sue Harris and her younger sister, Linda, were raised in a small town called Towanda in Bradford County, just northwest of Wilkes-Barre. Her father was an employee at GTE Sylvania for over forty years where he held the position of personnel manager at the plant. He was one of the original employees when Sylvania purchased the fluorescent powder division from Patterson Screen Company. Upon graduation from Towanda High School, Sue went off to college at Penn State University where she completed her undergraduate degree. She then headed to the University of Pennsylvania to pursue her graduate work and earn her VMD degree.



Pat and Sue first met while attending Penn State and they reconnected during their time at the University of Pennsylvania. After graduation, it wasn't long until Pat and Sue married in 1977. They began their careers as veterinarians right away and gained lots of great experience. After having worked in the industry for some time, Pat and Sue struck out on their own and purchased a practice in 1984 that would come to be a true blessing for animal lovers in the south hills area of Pittsburgh. They ran the very successful Pleasant Hills Pet Hospital for many years and helped countless pet owners sleep easier knowing they were nearby. Pat and Sue would be quick to point out that it was the employees and staff at Pleasant Hills Pet Hospital that made it a success. They felt so fortunate to have had such wonderful employees during their ownership that it was hard when they finally said goodbye and sold the practice.

However, retirement didn't mean that the sun had set on a lifetime of skills and knowledge, so it did not take long for Pat and Sue to figure out a way to stay involved with their mission of helping animals. Driven by their successful careers and tremendous compassion for animal welfare, they connected with a woman named Mercedes Pellet who was trying to establish a facility in Garrett County, Maryland that would be able to care for homeless animals. It should come as no surprise that they became fast friends. In fact, Mercedes was so serious about this mission that she went back to school at age 56 to become a registered veterinary technician. After many hours of hard work and dedication, an organization named HART for Animals was born. HART for Animals is a charitable animal welfare organization founded to improve the condition of homeless animals in the Western Maryland region.

Pat and Sue were involved early on with this organization and as Mercedes tells it, they were instrumental in not only their financial support, but also from the operational aspect of teaching the staff how to run a successful practice. Pat spent countless hours helping to train the staff, and Sue is still spending time each week at HART in the Bredel Veterinary Clinic performing surgeries, including spay and neuter procedures as well as preventive and healing services. Since 2003, HART for Animals has rescued over 9,000 animals and performed over 8,000 low and no cost spay/neuter procedures. This has become a true haven for animals big and small and for Pat and Sue, along with the HART staff and volunteers who contributed to turning this dream into a reality.

We are so pleased to include Pat and Sue Bredel in the Fragasso Financial family, and we're even more proud to call them friends and fellow partners in the animal rescue community. ■

POWER

Pennsylvania Organization for Women in Early Recovery

—
by GREGG DAILY, AIF®

Founded in 1991 to provide holistic and trauma informed treatment, POWER's mission is to help women reclaim their lives from the disease of addiction to alcohol and other drugs and to reduce the incidence of addiction in future generations. They envision a day when all women struggling with addiction will embrace the journey and realize the promises of recovery, enhancing and strengthening relationships with children, family and community.

More than 20 million Americans suffer from alcoholism and drug addiction, but only 3.8 million receive treatment. Women are the fastest-growing segment of substance users in the United States, with an estimated 2.7 million women abusing drugs or alcohol.*

Most women (66-90%) in treatment report histories of trauma, which may include domestic violence, early childhood sexual assault, physical abuse or neglect, loss of a child or other traumatic experiences.*

*Source: SAMHSA, Center for Behavioral Health Statistics and Quality, Reports and Detailed Tables from the 2016 National Survey on Drug Use and Health (NSDUH)

POWER offers a full range of trauma-sensitive treatment and support services just for women. They believe that empowering women leads to lives worth living, healthy families and strong communities. Research shows that women are most successful with their recovery when the care they receive is holistic, strengths-based and addresses the issues that matter most to them, including:

- Trauma
- Parenting, childcare and general care-giving
- Self-esteem
- Relationships
- Social stigma
- Health & wellness
- Education, training, and employment
- Housing

The support process that POWER provides begins with Central Intake, offering women confidential and comprehensive screening, assessment, referral and intake services designed to help them access the care they need when they need it most.

Based on the needs of each individual, services can include licensed treatment through:

POWER House - a 25-bed halfway house program, located in a former convent now owned by POWER, offers quality inpatient care in a safe and healing environment. Women stay at POWER House for up to six months while they receive treatment, including psychiatric and healthcare services, and build a strong foundation in recovery as they begin to reconnect with the community.

POWER New Day Outpatient provides outpatient services including partial hospitalization, intensive outpatient programming (IOP) and regular outpatient counseling. Group and individual therapy, resource coordination, and psychiatric services are offered to all clients. Childcare assistance and transportation assistance are also available.

Recovery Support-POWER Connection provides in-home drug and alcohol assessment and mentoring to women, including those involved with: the Allegheny County's Department of Human Services - Office of Children, Youth and Families (CYF), Magee-Womens Hospital of UPMC and other referral sources. These services are available to women who may be high risk, such as women who are pregnant, homeless or victims of violence.

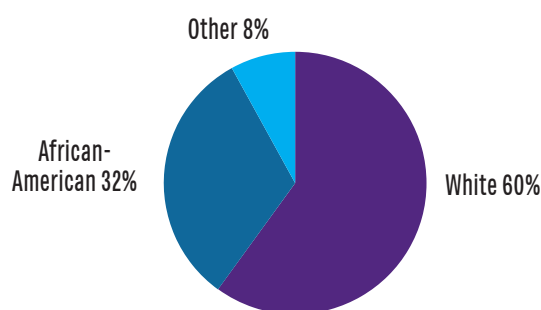
If you are interested in learning more about POWER, visit power-recovery.com



BY THE NUMBERS

Number of women served **1,417**

Demographics



Average age

34
years old

Number of drug and alcohol assessments

1,139

Number of admissions to treatment

492

Average length of treatments

POWER House **125 days**
Outpatient Treatment **104 days**

Evidence shows that a minimum of 90 days of treatment increases a client's likelihood for long-term recovery.

88%

Trauma

of POWER clients reported a history of sexual, physical, and/or emotional trauma.

82%

Women with children

of POWER clients are mothers with at least one child under the age of 18.



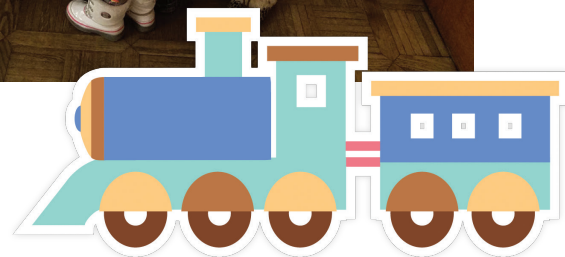
HAPPENINGS

& accomplishments



◀ IT'S (FINALLY) A BOY!

Damien Gottschalk, our Cool Springs office financial advisor/financial planning analyst, and his wife, Stacey, welcomed their first-born son, Nolan Alexander Gottschalk, into their family on Monday, February 19th at 8:20 a.m. weighing 7 lbs., 5 oz. and 20.4 inches long. Congratulations to Damien, Stacey, and big sisters, Emily and Avery. We are so happy for you!





▲ CHAMPIONS FOR CHILDREN

Some of our team (L to R: Gregg Daily, Robert Fragasso, Bryan Reft, Kerry Kelly) attended the 19th Annual Champions for Children, an event that supports the Homeless Children's Education Fund (HCEF). The HCEF works to further the education of youth facing homelessness and encourages them to be active citizens. We were proud to sponsor an event that makes such a positive impact on the Pittsburgh community.

Congratulations!



Michael Godwin, CFA®, has been promoted to chief investment officer. His previous role at Fragasso was manager of portfolio strategy. He has spent a decade of his career focused on portfolio strategy, beginning as a trader in Chicago during the Great Recession, then as an equity analyst in New York, and currently monitoring and providing guidance on the asset allocation strategies in Fragasso's client portfolios. Michael also manages the portfolio management team and is a member of the Fragasso Investment Committee.¹

1) The Fragasso Investment Committee is comprised of the portfolio management team and several financial advisors. The committee meets quarterly to discuss market trends, current investment outlook, portfolio construction, implementation, and issues on clients' minds.



Damien Gottschalk, financial advisor, financial planning analyst passed his insurance exam and now is Insurance licensed in Pennsylvania. Damien works in the Cools Springs office.



Andrew Silver, CFP®, AIF®, financial advisor, financial planning analyst earned his Accredited Investment Fiduciary (AIF) designation. Andrew works in the Fragasso's South Hills office.



WELCOME MITCH ▲

As an investment analyst, Mitch Anderson works in Fragasso's portfolio management department. Mitch contributes to the processes of selecting and analyzation of various investment securities using detailed fundamental analysis. His role also focuses on stock research and investment strategy review. Prior to joining Fragasso, Mitch's investment career began in the private wealth management division at William Blair & Co. in Chicago, IL. His interest in the financial industry started at a very young age, as his father is an investment advisor. Stocks and bonds were frequent topics of conversation at his family's dinner table.

Mitch obtained his bachelor's degree in financial economics at Brigham Young University-Idaho. He and his wife are new to Pittsburgh, having recently relocated from Chicago. He remains a dedicated fan of the Chicago Cubs. Mitch has also lived in West Virginia but spent the majority of his youth in St. George, Utah. At age 13, Mitch attained an Eagle Scout designation from the Boy Scouts of America, and consequently, he remains passionate about the outdoors and community service.

LIGHTS, CAMÉRA, ACCIÓN.



Can you AFFORD TO RETIRE?

FRAGASSO
FINANCIAL ADVISORS

Cool Springs
1001 Cool Springs Drive

We guide. For life.™ | FRAGASSOADVISORS.COM

Investment Advice offered through Pragma Financial Advisors, a registered investment advisor.



Can you AFFORD TO RETIRE?

FRAGASSO
FINANCIAL ADVISORS

North Hills
11269 Perry Highway

We guide. For life.™ | FRAGASSOADVISORS.COM

Investment Advice offered through Pragma Financial Advisors, a registered investment advisor.



Can you AFFORD TO RETIRE?

FRAGASSO
FINANCIAL ADVISORS

South Hills
1500 Oxford Drive

We guide. For life.™ | FRAGASSOADVISORS.COM

Investment Advice offered through Pragma Financial Advisors, a registered investment advisor.



Can you AFFORD TO RETIRE?

FRAGASSO
FINANCIAL ADVISORS

Downtown Pittsburgh
610 Smithfield Street

We guide. For life.™ | FRAGASSOADVISORS.COM

Investment Advice offered through Pragma Financial Advisors, a registered investment advisor.




HAVE YOU SEEN US? ▲

Our marketing department has been busy at work with several new campaigns for 2018. You may have even spotted some familiar faces on local billboards or on your TV! Beginning in March, billboards were posted in downtown Pittsburgh as well as on busy roadways in the northern and southern suburbs, such as Rt. 51, Banksville Road and Rt. 19 in Wexford. New television commercials have also been broadcasted. Keep an eye out for the Fragasso team when you're tuning in to cable stations such as CNBC, CNN Fox News and the Golf Channel! Congratulations to the marketing department on these great accomplishments!

610 Smithfield Street
Suite 400
Pittsburgh, PA 15222

RECOGNIZED AS ONE OF THE BEST!



FORBES
STATE-BY-STATE
WEALTH ADVISORS LIST

BARRON'S
2018 LIST OF AMERICA'S TOP 1,200
FINANCIAL ADVISORS

Forbes ranks Fragasso Financial Advisors #5 in the state of PA on its 2018 State-By-State Wealth Advisors List. The Forbes ranking of Best-In-State Wealth Advisors, developed by SHOOK Research, is based on an algorithm of qualitative criteria, mostly gained through telephone and in-person due diligence interviews, and quantitative data. Those advisors that are considered have a minimum of seven years experience, and the algorithm weights factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Neither Forbes nor SHOOK receive a fee in exchange for rankings.

Barron's ranks Fragasso Financial Advisors' founder, chairman and CEO Robert Fragasso as the No. 1 financial advisor in Pittsburgh and the No. 4 financial advisor in the state of Pennsylvania on its 2017 list of America's Top 1,200 Financial Advisors. The rankings are based on assets under management, revenue produced for the firm, regulatory record, quality of the practice and philanthropic work. This is the eighth consecutive year Fragasso has been named to the Barron's top 1,200 list.

FOLLOW US



@FRAGASSOADVISORS

@FRAGASSOADVISOR



LINKEDIN.COM/COMPANY/FRAGASSO-FINANCIAL-ADVISORS

YOUTUBE.COM/USER/FRAGASSOGROUP

FRAGASSO
FINANCIAL ADVISORS
We guide. For life.SM

412.227.3200 | FRAGASSOADVISORS.COM

Cool Springs | Downtown Pittsburgh | North Hills | South Hills

Securities offered through LPL Financial, member FINRA/SIPC. Investment advice offered through Fragasso Financial Advisors, a registered investment advisor and separate entity from LPL Financial. BP-030873

© 2018 Fragasso Financial Advisors