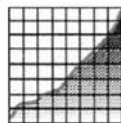


# THE ADVISER



**WHITE & COMPANY, PC**

CERTIFIED PUBLIC ACCOUNTANTS

XLV, No.3  
June 17, 2019

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*Our newsletter is now available on our newly re-vamped website [whitecocpa.com](http://whitecocpa.com). Please feel free to take a look around and send us a message with any questions or sign a friend up for the newsletter!*

## ONLINE BANKS VS. BRICK-AND-MORTAR BANKS

Online banks outperform brick-and-mortar ones in every factor evaluated by J D Power. Overall consumer satisfaction with online-only banks is 860 out of a possible 1,000, compared with 807 for brick-and-mortar banks. The largest performance gaps are in the areas of products, fees, communication and problem resolution. The highest-performing online bank, Charles Schwab, scored 865 and got especially high marks for website satisfaction. Number two, Ally Bank, scored 864 and got very high ratings for interest rate competitiveness. Third-ranked, Discover Bank, scored 860 and had the biggest year-over-year improvement of any bank studied.

## IMPORTANT DUE DATES

Within 3 days of payroll	-Due date of employer's Social Security and withholding tax deposits if the IRS has determined you pay semi-weekly
June 17, 2019	-Due date of 2019 Estimated Tax Payment No. 2
June 17, 2019	-Due dates of employer's Social Security and withholding tax deposits by EFTPS if the IRS has determined you pay monthly
July 15, 2019	
Aug. 15, 2019	
Sept. 16, 2019	
June 25, 2019	-Due dates of monthly state excise tax reports
July 25, 2019	
Aug. 26, 2019	
July 31, 2019	-Due date of Retirement Plan Form 5500
	-Due date of Form 940 deposit for 2nd quarter 2019
	-Due date of employer's payroll tax reports Form 941, State Unemployment and State L & I
	-Due date of quarterly state excise tax reports
Sept. 2, 2019	-Due date of Annual Heavy Vehicle Use Tax Form 2290
Sept. 16, 2019	-Due date of 2019 Estimated Tax Payment No. 3
	-Due date of Form 1041 (Trust or Estate) and Form 1065 (Partnership) tax returns if an automatic 5-month extension was filed on April 15, 2019 and Form 2210 and 1120S ( Corporation if an automatic 6-month extension was filed on March 15, 2019
Oct. 1, 2019	-Time to start pre-year-end tax planning!

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## TIDBITS

- The cost of attending an in-state college over the last 20 years has increased 237%!
- Over the next 30 to 40 years, wealth transfer from the baby boomer generation to younger generations will exceed over \$30 trillion!
- 68% of all U.S. households (approximately 85 million families) own a pet.
- A recent survey by Charles Schwab found that a person with \$1.4 million felt financially comfortable.
- Only 21% of U.S. adult citizens understand the difference between a financial planner who is a fiduciary and one who is not.
- Only four out of ten American adults have either a will or living trust dealing with their estate.
- 62% of Gen-Xers surveyed said they spend too much money eating out.
- By the year 2035, there will be more people in the U.S. over age 65 than those under 18.
- In 2018, the Medicare caps on physical therapy visits were eliminated. Prior caps were at \$2,010 annually.

## CHANGE TO PAYBACK RULES FOR A 401(K) LOAN

Workers who leave their jobs with a 401(k) loan on the books now have more time to pay back the money. Federal tax reform allows workers to repay loans by the tax-filing deadline (including extensions) for the year they leave the job. So if you leave a job in 2019, you have until April 15, 2020, to repay the loan, or October 15, 2020, if you file an extension. Previously, workers had only 60 days to repay. If the loan is not paid back, the remaining amount is considered a taxable distribution, resulting in an income tax bill and a 10% early-withdrawal penalty if you left your job before age 55.

## MORE ON MEDICARE ADVANTAGE AND ORIGINAL MEDICARE

Here are some points to consider when choosing between Medicare Advantage and original Medicare.

- Advantage plans often offer benefits that original Medicare does not, including some dental and vision coverage and health club memberships.
- Original Medicare beneficiaries can see any doctor in the U.S. who accepts Medicare. Advantage enrollees must stay in the plan's network or face higher costs.
- Advantage enrollees often need a referral from a doctor to see a specialist and prior authorization from the plan to receive certain services. Original Medicare beneficiaries generally do not face such hurdles.
- If you need care outside your home area, Advantage plans usually will only cover that care if it is an emergency, but original Medicare coverage is available throughout the U.S.
- If you try to switch from Medicare Advantage to original Medicare you can do so during open enrollment from October 15 to December 7 of every year.
- However, when you switch to original Medicare if you want to pick up a Medigap policy to limit your out-of-pocket cost, the Medigap policy provider can require proof of insurability. You are only guaranteed the ability to get a Medigap policy without proof of insurability when you initially sign up for original Medicare or Medicare Advantage.

*“At least half of the exercise I get every day comes from jumping to conclusions.”*

-Bruce Dexter

## YOUR EX APPLIES FOR SOCIAL SECURITY ON YOUR ACCOUNT

Your ex spouse can apply for a Social Security spousal benefit as long as he/she is single and at least 62 and you are eligible to apply for benefits (even if you have not applied) and he/she was married to you for at least ten years. This spousal benefit will have no impact on your own future benefit or on your current spouse's benefit. If you die first, your former spouse will be able to apply for a survivor benefit based on your work record. Again, your current spouse's survivor benefit will not be affected.

## IS \$1 MILLION ENOUGH TO RETIRE?

The number of 401(k) millionaires has been rising steadily, and these savers are often seen as role models for workers who dream of a financially carefree retirement.

The reality, though, is that \$1 million is not what it used to be, and in some cases, it may fall short of the amount you will need to finance your preferred lifestyle in retirement. If you follow the 4% withdrawal rule, which is designed to ensure you will not run out of money, a \$1 million balance will allow you to take out \$40,000 the first year, then adjust annually to account for inflation. Whether that will be enough (or more than you will need) depends on a host of factors, including whether you have a pension and how much you will receive in Social Security benefits. Remember, too, that you will have to pay federal income tax on every dollar you take out of a 401(k) or other tax-deferred account. Your state may take a bite out of your withdrawals. At this time, Washington has no state income tax.

When calculating how much you will need, it is critical to get a handle on your living expenses in retirement. One common rule of thumb is that you should plan on replacing 70% to 80% of your retirement paycheck with withdrawals from your portfolio, Social Security and other income (such as a pension). But some baby boomers want to travel and engage in other

pursuits and spend more than 100% of their preretirement income during the first few years.

Even if you do plan to stay home, health care expenses could consume a large portion of your savings. Current estimates are that a 65-year-old couple will need \$280,000, on average, to cover health care and other expenses in retirement. Your expenses will depend on your health and the likelihood that you will need long-term care.

Whether \$1 million is too much or too little, it is a worthwhile goal and it is not out of reach if you start early. If you save \$325 a month starting at age 25 and earn an average annual return of 8%, you will have more than \$1 million by the time you are 65. If you wait until age 30, you will need to set aside \$500 a month to reach a million.

## **THINGS PARENTS SHOULD KNOW ABOUT COLLEGE MAJORS**

As parents, we want the best for our children, many parents want their children to be lawyers, doctors or just get a graduate degree. Stressed-out parents worry about how to pay for extra years of college. First, they should concentrate on their bachelor's degree. Here are things parents should know about college majors.

- Major changes -per the U.S. Department of Education, 33% of undergraduates change majors and about 15% change majors more than once.
- Children hate math. Statistics indicate that students starting out for a math major change at the rate of 52%. Those planning to major in physics, chemistry, biology or geology switched only 40% of the time.
- Students that first go to a community college only change their major 28% of the time.
- Students often do not know enough to select a major. In high school, many academic disciplines are not offered so it is understandable that teens aim for medicine or law careers.

- College is tough. What usually surprises teenagers and their parents is that high school courses that they excelled in are much harder in college. This is especially true for students majoring in a STEM field (science, technology, engineering and math).
- Changing majors is not necessarily a problem. A 2016 study suggests that students who change majors graduate at a slightly higher rate than those that do not change.
- Timing is everything. When researching colleges, the family should be sure to ask when a student must declare an academic major. The time of declaration can be as early as enrollment as a freshman.
- Know the rules. When researching colleges, the family needs to understand how easy or difficult it will be to switch majors.
- A major switch could end up costing more. Switching majors may cost more time needed to graduate which could mean more student debt or more contributions from parents.
- Just graduate. When entering college, everyone intends to get at least a bachelor's degree. The reality is that an alarming number of students fail to do so. According to federal statistics, the six-year graduation rate is 59% at public institutions and 66% at private institutions. Of those that obtain a bachelor's degree, it takes them an average of 5.3 years. Think about the size of a student's debt after 5.3 years!

## **ALIMONY TAX CHANGES**

Alimony paid pursuant to post-2018 divorce or separation agreements is not tax deductible, and ex-spouses are not taxed on alimony that they get under post-2018 agreements. Older divorce pacts can be modified to follow the new tax rules if both parties concur and they modify the agreement in 2019 or later to specifically adopt the tax law changes.

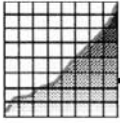
The IRS will closely police whether taxpayers are complying with the changes. First, they will ask affected filers to put the date of the divorce or separation agreement on Schedule 1 of the 1040, starting with 2019 tax returns that are filed next year. Second, it will add a filter to check taxpayer's alimony deduction history. For example, did a filer who took an alimony write-off in 2019 do so in 2018.

## **TOP 2018 SCAM**

Scammers are faking calls from the Taxpayer Advocate Service, warns the IRS. The Service is an independent organization within the IRS, and it does not initiate calls to taxpayers. If you get a call from someone claiming to be from the Taxpayer Advocate Service who starts asking for personal and financial information, hang up! Also, the IRS will never demand payment without allowing you to question or appeal the tax amount owed. You can report scam calls to [phishing@irs.gov](mailto:phishing@irs.gov) or call 800-366-4484 to report them to Treasury Inspector General for Tax Administration. Or call the fraud hotline of the U.S. Senate Special Committee on Aging at 855-303-9470.

## **THIS WILL HURT CREDIT SCORES**

Seven million people in the U.S. are late with car payments. That is a record number of people who are 90 days behind or more on their auto loans, indicating that many people are having trouble paying bills despite the overall strength of the U.S. economy. Most people having trouble with car payments have low credit scores and are under age 30. Nonprime and subprime car loans, which carry higher interest rates, went from 28% of the market in 2009 to 39% in 2015 (latest data available), and more loans are now given for six to seven years, rather than the four to five years that used to be the rule.



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Our work is guaranteed to the complete satisfaction of the customer. If the customer is not completely satisfied with the services performed by White & Company, PC we will, at the option of the customer, either refund the fee or accept a portion of the fee that reflects the customer's level of satisfaction.

June 2019

## THE MOST AND LEAST VALUABLE COLLEGE MAJORS

Not all college degrees lead to a decent career that will pay back student loans and provide a decent living. A recent study by [bankrate.com](http://bankrate.com) ranked 162 majors from most to least valuable.

The top five majors are also the hardest to complete, they all fall within STEM (science, technology, engineering and math) majors. These majors have the highest pay levels, with the lowest unemployment rate and a low level of advanced degrees which means it is easier for grads in these fields to land a good job without an advanced degree.

The five least valuable majors in descending order are: visual and performing arts, cosmetology services and culinary arts, clinical psychology, composition and speech and miscellaneous fine arts.

## FRAUD HOTLINE

The U.S. Senate Special Committee on Aging offers a toll-free hotline at 855-303-9470 to report scams and consumer fraud. Over the past year, more than 1,500 people called the hotline to report a possible scam, according to the committee's 2019 Fraud Book report. The top scam reported in 2018: fraudsters impersonating IRS officials. You can also report scams online at [www.aging.senate.gov/fraud-hotline](http://www.aging.senate.gov/fraud-hotline).

## FUEL TAX CREDIT CLAIMS

The IRS is on the hunt for tax scams involving improper fuel-tax-credit claims. Farmers and others who use fuel for off-road business purposes can take a credit for the federal fuel tax they pay. The agency knows that some crooked tax preparers encourage their clients to take this break, even though they do not qualify for it. For the 2020 filing season, the Service will add more filters to electronically screen returns that claim suspicious fuel tax credits and to proactively identify these scams.