**Tax Tips to Remind Clients That You Are the Center of Their Financial Universe- Part 2**

Favorable Capital Gains Rates – Make use of them before Congress takes them away.

A little history: In 1979, when I started my CPA practice, the capital gains rate was 28%. Since the 1980s, it has bounced around all over the place and now sits at somewhere between -0- and 23.8%, depending on the amount of the taxpayer’s other taxable income.

-0-!!! And that 15% rate...how long will they last??? At least through 2020, with a little luck through 2024, and beyond that, I don’t know. But while they are here, you should make sure your clients are taking advantage of them before they go the way of the dinosaurs.

The -0- Rate: For married taxpayers with taxable incomes under $78,750, all capital gains are taxed at -0-. While your working clients with W2s are probably out of this game, there are opportunities for retired clients to take advantage of the -0- rate. And all it takes is looking at their income streams to get an idea if it’s possible. And as an advisor, the cool thing is you don’t even have to do the math. That is their tax guy’s job! All you have to do is give them the idea. Then you get to look like the hero while the tax guy slaves away crunching numbers. And that’s definitely in your wheelhouse because you know their investment portfolio. You know their potential sources of income.

For example, let’s say you have some married clients with large IRA accounts (both traditional and Roth), a large non-qualified investment account with lots of unrealized capital gains, and they are receiving combined social security benefits of $60,000 a year. Let’s assume they are being forced to draw $20,000 from that traditional IRA due to RMDs, and they are happy and doing fine with an income of $80,000 a year. Their current tax situation looks like this: Only 85% of their SS is taxable, which is $51,000. Add the RMD to that, subtract their standard deduction of $27,700, and that leaves taxable income of $43,300. Under the current law, they could sell assets, realize $35,950 in long-term capital gains, and their taxes on that gain would be -0- because their taxable income did not exceed $78,950.

The client might object on the grounds that they like their investment and do not want to abandon (sell) it. Remind them that since they are selling at a gain, nothing says they cannot immediately buy it back. And they have increased their basis, thereby permanently avoiding taxes down the road, at -0- tax cost today.

And the 15% rate: The same concept gets used to make maximum use of the 15% rate, which is probably your clients with W2 and other passive income. You add those income streams up, subtract their deductions, and see how far below $488,850 that total is, and that is the capital gains amount only subject to 15% tax.

And don’t forget to consider using Roths to provide cash for whatever they need, which avoids increasing their taxable income thereby leaving the above strategy intact.

Yes, the above are simple examples, and your client probably has other issues to consider. But the point is this: As their advisor, you are in the best position to look at all their income streams and determine what the best mix of them is to get their taxable income in place to make maximum use of the -0- and 15% brackets. And that planning has to take place early in the year, not at a year-end wrap-up meeting.

It doesn’t get any better than paying -0- taxes on capital gains. And paying just 15% is still a bargain. And, like most bargains, they won’t last forever.

As said in the Roth discussion last week, this is another example of how your client will see you are reaching out to help them, and there is no “sale” involved. Which, in turn, will make them realize that you are their go-to person or what I like to call, The Center of Their Financial Universe.